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Professional Notes.

SIR MAURICE JENKS, F.C.A., whose election as Lord Mayor of London for the year commencing November 9th was reported in our last issue, attended in the House of Lords on October 12th in order to receive from the Lord Chancellor the approval of His Majesty the King upon his appointment. He was presented to the Lord Chancellor by the Recorder of London in an eloquent speech which reviewed in detail Sir Maurice Jenks' career. The Recorder said that the City of London rejoiced that such a man with such a record and with such potentialities would become Chief Magistrate, subject to His Majesty's gracious consent.

The Lord Chancellor, in conveying the King's approval, referred to the fact that the Lord Mayor Elect belonged to the great profession of Accountancy and held an honoured place in it, and he said that it was peculiarly fitting that one of its members should be Lord Mayor during the coming year. "Your profession," said the Lord

Chancellor, "cannot claim the antiquity of the one to which I have the honour to belong, but as our commerce increased the demand for the services of professional accountants became a national necessity, and their services are likely to be more than ever needed in the immediate future."

The Lord Chancellor continued, "Personally, I have no fear for that future if our commercial and financial transactions are conducted on safe and prudent lines. Whatever the future may have in store for us, the present moment at any rate is not one for hasty promises or rash and ill-advised experiments, and we look to you and to every member of your profession to help us through times of difficulty. You will, I feel sure, justify the confidence that the public places in you."

Following the line indicated by the Lord Chancellor we can define the attitude of the *Incorporated Accountants' Journal* towards the National position. We are not interested in politics from a party standpoint, but as representing the trusted confidants of industrialists and commercial men we should speak for Individualists and not Socialists. It is therefore a matter of satisfaction to us that Great Britain is now under a Government National in name and in the composition of its members. Six Incorporated Accountants were Parliamentary candidates at the recent poll. Two were returned in the National Conservative interest, Mr. John Potter, F.S.A.A., and Mr. Adam Maitland, A.S.A.A., the former being the successful candidate for the Borough of Eccles and the latter retaining his seat in the Faversham Division of Kent. Mr. Thomas Keens, F.S.A.A., made a spirited attack on Pontypool (Monmouth) in the National

Liberal interests, but failed to dislodge the Labour candidate. Mr. H. C. Banting, A.S.A.A., was the unsuccessful Independent Liberal candidate for the Harrow Division of Middlesex, and Mr. C. Rothwell, A.S.A.A., unsuccessfully contested Darwen in the Labour interests against Sir Herbert Samuel, a member of the Cabinet. Mr. F. E. Church, A.S.A.A., also represented Labour in the Rutland and Stamford Division where his Conservative opponent held the seat.

The clauses of the Finance (No. 2) Bill, 1931, relating to Income Tax and the 5 per cent. War Loan, as published in our last issue, have since passed into law without amendment. We have not, therefore, thought it necessary to reprint the corresponding sections of the Act, but for purposes of reference we have set out the title of the Act in another column, with an explanatory memorandum. The scale of Entertainments Duty, which we published last month as an addendum to the Chancellor's Budget speech, was modified to some extent, and we accordingly reproduce it in its final form this month.

On the Committee stage of the Finance (No. 2) Bill the Chancellor of the Exchequer gave an explanation as to the procedure proposed to be adopted with regard to the contemplated conversion of the 5 per cent. War Loan. He said it was proposed to give three months' notice to holders, during which period they would have the option of transferring into the new stock or of asking to be repaid in cash. If they did nothing that would be taken as accepting the offer. If a holder accepted the offer he would retain his old stock, but the rights attaching to it would be different. Under an ordinary conversion operation the holder surrenders his old stock and receives new, but under this scheme he would retain his old security under changed conditions. The Government, he said, retained the right to continue the payment of the interest without deduction of tax at the source. This he justified on account of the large amount of stock required to be converted, and the fact that foreign investors would not be attracted by an issue of British stock on which income tax was deducted at the source. Power, he said, had also been taken to give a small bonus on early applications for conversion.

There seems to be a good deal of doubt with regard to the question of the adjustment of Income Tax deductions from ordinary dividends paid between April 5th last and the date of the passing of the Finance (No. 2) Act, 1931. It appears to be assumed in some quarters that the

provisions of clause 2 of the Third Schedule of that Act, taken in conjunction with sect. 12 of the Finance Act, 1930, prevent the adjustment of any tax underdeducted from ordinary dividends. We are not at all sure that this assumption is correct, as there seems to be nothing in the provisions of the Finance Acts to say that no adjustment shall be made. In answer to a question in the House of Commons when the recent Finance Bill was under discussion, the Financial Secretary to the Treasury said:

"As regards dividends of British companies (other than dividends payable on preferred shares at a fixed gross rate per cent.) no question of any adjustment need arise. Under the existing law the net amount of any such dividends will be taken for all Income Tax purposes to represent income of such an amount as, after deduction of tax by reference to the increased rate of 5s., is equal to the net amount paid."

The Inland Revenue appear to take the view that any adjustment of tax in respect of ordinary dividends is merely a domestic matter as between the company and its shareholders, and therefore, it does not seem quite correct to say that no adjustment can be made. All that can be authoritatively stated is that there is no specific provision that an adjustment must be made.

An interesting decision was given by Mr. Justice Wright in the King's Bench Division last month on the subject of agency in the case of *Messrs. W. T. Lamb & Sons v. Goring Brick Company, Limited*. The defendants, who were manufacturers of bricks and other building materials, appointed Messrs. Lamb & Sons their "sole selling agents" for three years of all bricks and other materials manufactured by them at their works. Subsequently the manufacturers intimated to Messrs. Lamb & Sons that they intended to sell all the bricks manufactured by them in the future without the intervention of an agent, apparently adopting the view that as they were not appointing any other agent they were not under an obligation to carry out the agreement. Messrs. Lamb & Sons refused to accept this view of the matter and brought an action for damages.

In giving judgment his Lordship said he thought it a fair construction of the agreement that the intention was that the manufacturing part of the business being in the hands of the defendant company, the merchandising or selling part of the business was to be entrusted to the plaintiffs. Continuing, he said: "In my judgment, in this contract, the words 'appointed the plaintiffs sole selling agents of all bricks and other materials

manufactured at their works' means that the plaintiffs as merchants were to have the sole right of selling all the bricks manufactured by the defendant company." He accordingly gave judgment for the plaintiffs with costs, the damages, if not agreed between the parties, to be referred to a Master. The case of *Bentall, Horsley and Baldry v. Vicary*, in which circumstances of a somewhat similar character arose, were cited, but the ruling there was held not to apply in the present case.

In the case of *Inland Revenue v. Executors of Mrs. Henderson*, which came before the Court of Session in Edinburgh recently, it was held that the law relating to apportionments as at the date of death, in the case of a trust estate, does not apply for the purpose of Income Tax, and that accordingly the estate is liable only to bring into account income actually due up to the date of death. Any income received after the date of death is income of the executors, notwithstanding that part of it may have accrued before that date.

In dealing with Costs of Litigation at the provincial meeting of the Law Society held last month, the President, Mr. P. H. Martineau, said that a cause of great additional expense was to be found in the two-thirds rule whereby a junior counsel must receive a fee which was two-thirds of that which was marked on his leader's brief, and the Council had come to the conclusion that it should be no longer maintained, but that any marked discrepancy between the brief fees of leading and junior counsel might be adjusted in favour of the junior by increasing his fees in regard to the interlocutory work.

Mr. Martineau added that the subject of Solicitors' charges had been very fully and fairly dealt with in the memorandum of the London Chamber of Commerce on the cost of litigation, in which the committee expressed the view that the net earnings of the average solicitor were not excessive. With this he said he thoroughly agreed, as in comparison with other professions solicitors were badly paid, and the method they had to adopt in making out their charges was undignified and, in the words of a former President, "a relic of barbarism."

At the same meeting a paper on "Theory and Practice in Legal Education" was read by Mr. Harold Potter, reader in English Law in the University of London. In the course of his remarks, he said that a sound theoretical knowledge of law was not merely an acquisition of information, but an intellectual development based on

a certain class of data. What a student really required to learn was not so much what is settled law, but how he should determine what legal points arise from varying sets of circumstances, and how to apply the law that is settled, or approach a problem that is unsettled. "It is at this point," he said, "that the kind of knowledge and the method of acquiring it become perceptible."

The scheme for the conversion of the internal public debt of Australia, which it was decided to carry out on a voluntary basis, has been a decided success, only about 3 per cent. of the holders of stock having notified their dissent. The applications for conversion covered over £510,000,000, while a further £31,000,000 was represented by those who notified neither conversion nor dissent. The case of the dissentients representing about £17,000,000 has still to be dealt with, and it is understood that they will not be allowed to benefit at the expense of those who voluntarily convert, but that a form of compulsion will be applied subject to relief being given in cases of hardship.

It will be remembered that, at the instance of Mr. Lang, New South Wales recently repudiated certain of its overseas obligations in relation to the payment of interest, and that the Commonwealth, under its arrangement with the different States, discharged the liability. Mr. Theodore, the Federal Treasurer, now announces that a settlement has been effected under which New South Wales is to refund to the Commonwealth every penny paid on its behalf. The amount involved amounts to £5,896,000, comprising interest, exchange on remittances, and loan charges, together with an amount for interest on daily balances shown in the accounts between the Commonwealth and New South Wales.

Some idea of the banking troubles in the United States of America can be gathered from the fact that in the last eighteen months some 2,000 banks have failed out of a total of about 26,000. Doubtless the banks which have not been able to withstand the financial strain are the smaller and weaker ones, but these numerous failures have naturally given rise to a widespread loss of confidence on the part of depositors, which has resulted in the hoarding of currency on a substantial scale. It has also produced a lack of confidence with regard to the more substantial institutions, which will have the effect of putting an additional strain upon them. Arrangements have accordingly been made for the formation of an Emergency Credit Corporation

with a capital of about £100,000,000 for the support of the banking institutions of the country, which support is to take the form of rediscounting banking assets not at present eligible for discount by the Federal Reserve banks, and making advances on the security of the assets of closed banks.

When dealing with scientific and philosophic subjects, Sir Josiah Stamp is an adept in the use of analogies which he describes as the warp of a thinking mind. His latest is drawn from the realm of accountancy. On the occasion of the opening of the new School of Economics and Commerce at Dundee he said he would divide men into two classes, those who have a Balance Sheet view of life, and those who have a Profit and Loss outlook. The former would comprise those who view life as a state or condition, and the latter those who look upon it as a process—as an attainment at a point of time or as a movement of progress, in time; in economics, for example, as a contest between a division of wealth which for the present seems most advantageous, and a division which will have a maximum future effect; in social theory, the balance between humanitarianism and future biological improvement.

The volume of trading carried on by Co-operative Societies is shown by the figures compiled by the Chief Registrar of Friendly Societies relating to such of the registered societies as are primarily connected with industry other than agriculture. Of these there are 1,397, with an aggregate membership of nearly six and a half millions. The sales of these societies during 1930 amounted to nearly £328,000,000, resulting in a surplus of £29,614,000. This is a decrease of about 1½ per cent. on the previous year, and is attributable entirely to the fall in prices. The increasing extent to which these societies are coming into competition with private traders is shown by the fact that the membership of the societies in London and the Home Counties has more than doubled during the last five years.

The extension of the operations of Co-operative Societies into the domain of farming has not been a success. Their losses in the year 1930 amounted to £73,000, as against £74,000 in the year 1929. The farming operations do not extend into Wales, but in England and Scotland there are 118 societies in all, operating farms with a total acreage of 41,000, and a capital of £1,791,000 invested in farm lands and equipment. Some of the societies are now finding it advisable to cut their losses at a very heavy sacrifice.

ERRONEOUS ENTRIES IN PASS BOOKS.

THE effect of erroneous entries in a pass book depends on the evidence as to what is in each case the implied contract between the banker and the customer as based on banking custom. Apparently the only ground on which a bank is not entitled to dispute the correctness of an entry erroneously made is that of estoppel where the customer has innocently acted on the statement represented by the entry and has altered his position for the worse by drawing directly or indirectly on the amount thus by mistake placed to his credit. A customer could not fraudulently take advantage of such an erroneous entry.

Apart from estoppel, it appears that entries in a pass book are to be accepted only as *prima facie* evidence whether against the bank or against the customer after he has inspected and returned the pass book. It cannot be dogmatically asserted that an entry made in a pass book is in all cases conclusive or binding on the customer, but each case must be judged on its own particular facts, although the customer in whose favour the entry stands starts with the advantage that *prima facie* it is an admission by the bank in his favour, which cannot in some cases be rebutted. If a customer after some months examines his pass book and sees a credit of a certain sum and a debit of a similar amount immediately afterwards, and knows nothing about either entry, he is not entitled to say, I will act on the credit and disregard the debit. Nor is he entitled to regard and accept the credit as a payment and to disregard and repudiate the debit. In every case where it is sought to treat a mere book entry as a payment, some other circumstances must be present and relied upon to enable the customer in whose favour it is made to succeed—either some express previous authority to pay, or some communication to the customer of the making of the entry and some acting on it by him. There must be something in the nature both of a payment by one party and a receipt by the other, or some alteration in his position by the customer in whose favour the book entry was made, in order to induce a Court to say that the entry was payment and that the money cannot be recovered from him.

In *Arkokerri (Atlantic) Mines, Limited, v. Economic Bank* (1904), it was held that where the customer of a bank delivered to the banker for collection a crossed cheque to which he had no title, the fact that the banker credited the

customer in the bank ledger with the amount of the cheque before it was cleared did not deprive the banker of the protection afforded by sect. 82 of the Bills of Exchange Act, 1882. In this case the secretary of the plaintiff company instead of forwarding cheques to different payees forged the indorsements of the payees, and handed the cheques to the defendant bank by whom they were forwarded to the plaintiffs' bankers for presentation and payment. They were duly paid and the secretary received the proceeds from the defendants. Mr. Justice Bigham said the entries in the bank ledgers did not make the bank holders for value. The entries neither conferred any right on the secretary to draw the money out of the bank nor did they fix the bank with any liability to pay the money to him. It might have been different if the entries had been made in the pass book, for that book belonged to the customer, and the entries made in it by the bank were statements on which the customer was entitled to act. Suppose, after the ledger entries were made, but before the cheques were cleared, the secretary had asked the defendants to return him the cheques, could the bank have refused to comply with his request? Could they have said, "No; the cheques are ours, for by entries in our ledger of which you know nothing we have given you credit for the amounts, and we have made ourselves holders for value?" He thought not. The secretary, having regard to the terms on which the business was carried on, would have been entitled to say that he had never assented to any transfer of the cheques, and that therefore they were still his. In truth, notwithstanding the ledger entries, no credit was given to him; nor was it intended that he should have credit; and if he had demanded the money the defendants would have been entitled to refuse to pay it to him.

But in *Kepitigalla Rubber Estates, Limited, v. National Bank of India* (1909), a somewhat contrary view was held. There the secretary of a company forged the signatures of two of the directors to a number of cheques which purported to have been drawn by the directors on behalf of the company upon the defendants, who were the company's bankers, and the defendants paid the cheques so drawn. The forgeries extended over a period of about two months, during which time neither the bank pass book nor the cash book of the company was examined by the directors. In an action by the company to recover the amounts so paid it was held that the company was entitled to recover.

It is the duty of a customer of a bank in issuing mandates to the bank to take reasonable

care so as not to mislead the bank; but, beyond the care which must be taken in or immediately connected with the transaction itself, there is no duty on the part of the customer to take precautions in the general course of carrying on his business to prevent forgeries on the part of his servants.

The mere fact that a customer of a bank takes his pass book out of the bank and returns it without objecting to any of the entries contained therein, there being a pencil entry of the balance, does not amount to a settlement of account as between him and the bank in respect of those entries.

In *Vagliano v. Bank of England* (1889), Lord Justice Bowen said that the plaintiff from time to time received from the bank his pass book, with entries debiting the payments made, for which the bank sent certain bills of exchange as vouchers, which were sent back by the plaintiff when he returned (without objection) the pass book. It was contended that this was a settlement of account between him and the bank, and that he had been guilty of such negligence with respect to the examination of the vouchers as would have prevented him from being relieved from this settlement of account. But there was no evidence to show what, as between a customer and his banker, is the implied contract as to the settlement of account by such a dealing with the pass book, or that, having regard to the ordinary course of dealing between a banker and his customers, the plaintiff had done anything which could be considered a neglect of duty to the bank or negligence on his part.

From the consideration of the above authorities the law as to the effect of entries in pass books is somewhat unsatisfactory, due to the fact that proper evidence of banking custom has not yet been forthcoming.

LEGAL EFFECT OF A DEED OF INSPECTORSHIP.

WHEN a trader's property or business is placed in the hands of another party with a view to his debts being discharged, what is the legal relationship between the trader and such trustee on the one hand, and between the trustee and the rest of the world on the other hand?

In *Marconi's Wireless Telegraph Company, Limited, v. Newman and Others* (1908), the defendants, Newman and Baynes, had executed a deed of inspectorship; another defendant, Cork, was appointed inspector, the remaining defendants in the suit being the committee of inspection.

The plaintiffs contended that the effect of the execution of the deed of inspectorship was one or other of the following relationships :—

1. That the debtors, Newman and Baynes, became partners in the business, which was thereafter continued with Cork, the inspector, and the committee.

2. That the debtors, Newman and Baynes, became the agents of the inspector and the committee.

3. That the business of the debtors, Newman and Baynes, ceased to be carried on by them, and was continued by the inspector and the committee instead.

The plaintiffs' claim was for an account and payment of royalties, as from the date of the execution of the deed, upon valve holders used by the defendants in their business of making up and selling wireless sets, the valve holders being the subject-matter of letters patent belonging to the plaintiffs.

The plaintiffs, amongst other traders, had received a circular from the defendant, Cork, in which he had notified them of the debtors' execution of the deed and of his own appointment as inspector; all orders, he had therein added, which might be placed for goods required for the carrying on of the business would be issued in the usual way upon his official order forms and would be paid for by him. The plaintiffs argued that this notice—after the receipt of which they had continued to send supplies—confirmed their contentions that the inspector and the committee were liable to them for goods supplied as partners of the debtors, or, alternatively, that the inspector and the committee had assumed liability as principals—principals, that is to say, either of the business with which the debtors had ceased to be connected altogether, or of the business in which the debtors had degenerated into mere agents of the inspector and committee. If the inspector and committee had become principals they were liable, said the plaintiffs, for moneys had and received to the use of the plaintiffs.

Mr. Justice Branson dismissed with costs the plaintiffs' claim against the inspector and the committee, but found for them as against the debtors. Before examining some of the cases on which the learned Judge relied, it may be useful to note the terms in which the relevant statutes refer to the relationship which debtors create for a trustee to whom their affairs are transferred so that their creditors may have opportunities of receiving their due.

The Bankruptcy Act, 1914, refers, in sect. 20(1), to a committee of inspection appointed "for

the purpose of superintending the administration of the bankrupt's property by the trustee." The Deeds of Arrangement Act, 1914, defines, in sect. 1, the classes of deeds to which the Act applies; amongst them it enumerates (a) "a deed of inspectorship entered into for the purpose of carrying on or winding up a business," and (b) "any agreement or instrument entered into for the purpose of carrying on or winding up the debtor's business, or authorising the debtor or any other person to manage, carry on, realise or dispose of the debtor's business with a view to the payment of his debts"—in cases where "creditors of the debtor obtain any control over his property or business."

The statutes, then, appear to contemplate a specific relationship between trustee, inspector or committee and the debtor, of a limited nature; the business remains the debtor's, as does his property, until his debts have been discharged.

It is well known that the basic principles of the Partnership Act, 1890, were founded upon the judicial doctrines propounded in *Cox v. Hickman* (1860). From the judgments in that case the following principles affecting debtors' arrangements emerge :—

1. The execution by a debtor of a trust deed for the carrying on of his business for the benefit of his creditors does not make each subscribing creditor a partner with the trustees, nor does the creditor appoint them his agents, by his mere signature of the deed.

2. Admittedly the deed procures an advantage for the creditors, since the carrying on of the business may achieve the object designed by the deed, viz, the payment of their debts. In that sense they will share in the profits of the business, if any, but such a sharing is insufficient to constitute them partners with each other, or to constitute the relationship of principal and agent between some of them and the others.

3. If a creditor allows his debtor time in which to pay, knowing that the debtor must carry on his business in order to obtain the means to pay, the creditor does not thereby constitute the debtor his agent to contract business debts.

4. The creditor does not constitute the debtor his agent to contract business debts when he allows the debtor time to pay even if he goes so far as to stipulate that the debts are to be discharged out of the profits of the debtor's continuing business.

In *Cox's* case two trustee-creditors who had taken no part in the transaction were sued as partners in the debtor's continuing business upon bills of exchange which had been accepted by

the other trustee-creditors. It was held that no action against them as partners could lie.

With regard to the contentions of the plaintiffs in *Marconi's* case based upon the alleged equitable liability of the defendants because of moneys had and received, Mr. Justice Branson said that *Sinclair v. Brougham* (1914) and *Holt v. Markham* (1928) overruled *Moses v. Macferlan* (1760), upon which the alleged liability rested. In the last-mentioned case, Lord Mansfield had said that an action for money had and received lay where a defendant ought to refund money on general, just and fair principles—a viewpoint which he later emphasised in *Sadler v. Evans* (1766) by describing it as a “liberal action” founded on “large principles of equity, where the defendant cannot conscientiously hold the money.” That generosity of view so expressed by “the father of mercantile law” in the eighteenth century was dismissed by Lord Justice Scrutton in *Holt v. Markham* as “well-meaning sloppiness of thought.”

Finally, reference may be made to *Reid v. Rigby & Co.* (1894). There the plaintiff was held entitled to recover from the defendants, as money had and received, a sum which he had lent, without their knowledge, to their manager who had borrowed it upon the assurance that he needed it to pay the workmen. He did pay the workmen, first having paid the sum lent into his employers' banking account in order to replace a sum which he had previously abstracted from it. The reason for the decision there was that the money paid out to the workmen must be regarded as money received by the defendants to the use of the plaintiff if, on discovering it, they adopted the transaction. If the money had not been paid out to the workmen the case against the defendants would have been, if anything, stronger, since it would still be in their banking account but still the plaintiff's money.

From this case *Marconi's* case was distinguished, because there the plaintiffs were entitled merely to royalties; no part of the purchase price for wireless sets sold by the defendants belonged to them.

FINANCE (No. 2) ACT, 1931.

The provisions of the above Act in so far as they relate to Income Tax and the 5 per cent. War Loan were published in our last issue on page 12 under the head of “Finance (No. 2) Bill.” The Bill was passed without any alteration, and therefore we are not reprinting the sections.

The scale of entertainments duty, which appeared as an addendum to the Chancellor's Budget speech on page 10 of the same issue, has been somewhat modified, and is accordingly reproduced in its final form on page 46 of this issue.

INCOME TAX, 1931-32.

Inland Revenue Circular.

The following circular was issued by the Board of Inland Revenue on October 6th:—

The Board of Inland Revenue desire to draw the attention of bankers, agents entrusted with the payment of foreign and Colonial dividends, coupon dealers, secretaries of companies, and others to the following particulars with regard to adjustments falling to be made in consequence of the increase in the standard rate of Income Tax for the current year from 4s. 6d. to 5s. in the £.

Under the provisions of sect. 6 (1) of the Finance (No. 2) Act, 1931, Income Tax for the year commencing April 6th, 1931, is to be charged at the standard rate of 5s. in the £ instead of at 4s. 6d. in the £, the rate originally imposed by sect. 5 of the Finance Act, 1931.

The new standard rate of 5s. is effective for the whole of the year commencing April 6th, 1931, but, by virtue of the proviso to sect. 6 (1), deductions of tax made before October 15th, 1931, by reference to the original standard rate of 4s. 6d. remain legal deductions, subject to such subsequent adjustments as may be necessary to give effect to the increase in the rate.

The cases in which adjustments may be necessary to make good deficiencies in the amounts of tax deducted from payments made before October 15th, 1931, fall into two classes:—

CLASS I.—TAX DEDUCTED DIRECTLY ON BEHALF OF THE REVENUE FROM PAYMENTS WHICH ARE NOT MADE OUT OF PROFITS OR GAINS BROUGHT INTO CHARGE TO INCOME TAX.

Under this head fall deductions from:—

- (a) Dividends and interest from the Public Funds, where payable under deduction of tax.
- (b) Dividends and interest of foreign or Colonial Government securities, or of foreign or Colonial companies, entrusted to an agent in the United Kingdom for payment in the United Kingdom on or after April 6th, 1931, and also the like dividends or interest which, although not entrusted to such an agent for payment, are realised through bankers, coupon dealers, or other persons in the United Kingdom.
- (c) Interest paid by municipal corporations or other local authorities to creditors on rates, and not paid or not wholly paid out of profits or gains brought into charge to Income Tax.
- (d) Other interest, annuities, patent royalties, &c., not paid, or not wholly paid, out of profits or gains brought into charge to Income Tax.
- (e) Copyright royalties paid to non-residents.

As regards cases falling within Class I, where a payment has been made after April 5th, 1931, and before October 15th, 1931, and Income Tax has been deducted by reference to the standard rate of 4s. 6d. in the £ originally imposed for the year, paragraph 2 of the Third Schedule to the Finance (No. 2) Act, 1931, provides that any deficiency in the amount of tax deducted (being a deficiency arising by reason of the change in the standard rate) shall, so far as possible, be made good by increasing the deduction to be made from the next payment, and, if necessary, from subsequent payments made before October 15th, 1932, by an amount equal to the amount of the deficiency. The additional amount so to be deducted must be accounted for to the Revenue in the same manner as the tax deducted from the original payment.

For example, in the case of equal half-yearly payments of dividends, interest, &c., on July 1st and January 1st, tax will have been deducted from the payment on July 1st, 1931, by reference to the original standard rate of 4s. 6d. in the £; tax will, therefore, be deductible from the payment on January 1st, 1932, by reference, in effect, to a rate of 5s. 6d.* in the £ (5s., the standard rate for the year, + 6d. to counter-balance the insufficient deduction in July).

In the case of equal quarterly payments on, say, June 1st, September 1st, December 1st and March 1st, tax will have been deducted from the payments in June and September, 1931, by reference to the rate of 4s. 6d. in the £; tax will, therefore, be deductible from the December payment by reference, in effect, to a rate of 6s. in the £ (5s., the standard rate for the year, + 1s. to counter-balance the insufficient deductions in June and September).

Where there are no subsequent payments of dividends, interest, &c., before October 15th, 1932, from which the adjusting deduction can be made, bankers, paying agents and others, who have made payments since April 5th, 1931, from which tax has been deducted by reference to the rate of 4s. 6d. in the £, will be required to furnish to the Commissioners of Inland Revenue lists containing the names and addresses of the persons to whom the payments have been made and the amounts of such payments.

CLASS II.—TAX DEDUCTED FROM PAYMENTS MADE OUT OF PROFITS OR GAINS BROUGHT INTO CHARGE TO INCOME TAX.

Under this head fall deductions from:—

- (a) Ground rents, &c., secured on property charged with Income Tax.
- (b) Interest, annuities, patent royalties, &c., wholly payable out of property, profits or gains charged with Income Tax.
- (c) Interest payable by municipal corporations or other local authorities to creditors on rates paid wholly out of profits or gains brought into charge to Income Tax.
- (d) Fixed rate preference dividends (as defined by sect. 12 (4) of the Finance Act, 1930†) paid out of the profits or gains of companies in the United Kingdom.

The adjustment of deductions from payments falling within Class II is primarily a matter between the payer and the recipient and does not immediately concern the Revenue. The property, profits or gains, out of which the interest, dividends, &c., are paid, will be fully taxed in the ordinary course and the Revenue will receive in this manner the full tax to which it is entitled.

Provision is, however, made by the Income Tax Acts for the adjustment of insufficient deductions in cases falling within Class II as follows:—

Where a payment or payments due after April 5th, 1931,‡ have been made before October 15th, 1931, and Income Tax has been deducted by reference to the original standard rate of 4s. 6d. in the £, sect. 211 (2) of the Income Tax Act, 1918 (as amended by sect. 12 (2) of the Finance Act, 1930, and by paragraph 3 of the Third Schedule to the Finance (No. 2) Act, 1931) authorises the payer of ground rents, interest, preference dividends, &c., to adjust the previous under-deductions of tax by making corresponding extra deductions from the next subsequent payments of ground rent, interest, &c. Thus, in the case of equal half-yearly payments of debenture interest due on July 1st and January 1st, tax will have been deducted from the payment on July 1st, 1931, by reference to the

original standard rate of 4s. 6d. in the £; the company will, therefore, be entitled to deduct tax from the payment of interest on January 1st, 1932, by reference, in effect, to a rate of 5s. 6d.* in the £ (5s., the standard rate of the year + 6d. to counter-balance the insufficient deduction in July).

In the case of equal quarterly payments of interest due on, say, May 1st, August 1st, November 1st, and February 1st, tax will have been deducted from the payments in May and August, 1931, by reference to the original standard rate of 4s. 6d. in the £; the company will, therefore, be entitled to deduct tax from the November payment of interest by reference, in effect, to a rate of 6s. in the £ (5s., the standard rate for the year, + 1s. to counter-balance the insufficient deductions in May and August).

If there is no further payment of ground rent, interest, &c., the payer is entitled to recover the amount under-deducted directly from the recipient of the payment from which the insufficient deduction, by reference to the rate of 4s. 6d. in the £, was made.

ORDINARY DIVIDENDS PAID OUT OF THE PROFITS OR GAINS OF COMPANIES IN THE UNITED KINGDOM.

As regards all dividends other than "fixed-rate preference dividends" the position is as follows.

The Income Tax Acts do not authorise any subsequent adjustment in respect of under-deductions of tax, but provide (sub-sect. (3) of sect. 12 of the Finance Act, 1930) that—

"where on payment of a dividend (not being a preference dividend within the meaning of this section), Income Tax has, under Rule 20 of the General Rules, been deducted therefrom by reference to a standard rate of tax greater or less than the standard rate for the year in which the dividend became due, the net amount received shall, for all the purposes of the Income Tax Acts, be deemed to represent income of such an amount as would, after deduction of tax by reference to the standard rate last mentioned, be equal to the net amount received, and for the said purposes there shall in respect of that income be deemed to have been paid by deduction tax of such an amount as is equal to the amount of tax on that income computed by reference to the standard rate last mentioned."

Thus, in the case of an ordinary dividend of £50 payable on, say, July 1st, 1931, from which tax was deducted at the original standard rate of 4s. 6d. in the £, the net amount received will have been £38 15s., and the shareholder will be deemed, for the purposes of Income Tax (and Sur Tax), to have received income amounting to £51 13s. 4d., and to have suffered tax, by deduction, amounting to £12 18s. 4d. (£51 13s. 4d. less £38 15s. 4d. (tax at 5s. in the £) leaving £38 15s., the net amount actually received). If this dividend was received by a shareholder entitled to claim complete relief from income tax, he would be able to obtain repayment of £12 18s. 4d. (the tax which he is deemed to have suffered upon income amounting to £51 13s. 4d.). Similarly, if the shareholder is liable to Sur Tax, the amount to be included in his statement of total income will be £51 13s. 4d.

If further information, such as the Board may be in a position to furnish, is desired in particular cases, application should be made to this office.

* Where, however, the January payment is either greater or less in amount than the July payment (e.g. by reason of a variation in the rate of the dividend or the interest or of fluctuations in exchange) the effective rate by reference to which deduction of tax will be made will not, of course, be 5s. 6d. in the £.

‡ For example, if the July payment amounted to £5 and the payment in January to £10, the tax deductible from the latter payment would be equivalent to tax by reference to an effective rate of 5s. 3d. in the £ (i.e.

(10 at 5s., the standard rate for the year, plus 5d. to make up the July deficiency, which is equivalent to tax on £10 at 5s. 3d. in the £).

† The expression "fixed-rate preference dividend" is defined to mean (a) a dividend payable on a preferred share or stock at a fixed gross rate per cent.; or (b) where a dividend is payable on a preferred share or stock partly at a fixed gross rate per cent. and partly at a variable rate, such part of that dividend as is payable at a fixed gross rate per cent.

‡ In the case of feu duties, bond interest, etc., payable in respect of lands and heritages in Scotland, deductions in respect of Income Tax made from any payments due for the period ending on May 15th are to be made at the rate in force at the commencement of that period.

INCORPORATED ACCOUNTANTS AS PARLIAMENTARY CANDIDATES.

The following are the results of the Polls where Incorporated Accountants were candidates:—

DARWEN (Lancs.).

Sir H. Samuel (Nat. Lib.)	..	18,923
A. Graham (Cons.)	..	14,636
C. Rothwell, A.S.A.A. (Lab.)	..	5,184

Majority 4,287

ECCLES (Lancs.).

John Potter, F.S.A.A. (Cons.)	..	26,049
D. Mort (Lab.)	..	16,101

Majority 9,948

FAVERSHAM (Kent).

A. Maitland, A.S.A.A. (Cons.)	..	25,568
N. Smith (Lab.)	..	13,226

Majority 12,342

HARROW (Middlesex).

Major Isidore Salmon (Cons.)	..	48,068
G. S. Sandilands (Lab.)	..	14,241
H. C. Banting, A.S.A.A. (Ind. Lib.)	..	5,444

Majority 33,827

PONTYPOOL (Monmouth).

T. Griffiths (Lab.)	..	18,981
T. Keens, F.S.A.A. (Nat. Lib.)	..	14,709

Majority 4,272

RUTLAND AND STAMFORD.

N. W. Smith-Carrington (Cons.)	..	19,086
F. E. Church, A.S.A.A. (Lab.)	..	7,446

Majority 11,640

Professional Honour.

Mr. Thomas Keens, ex-President of the Society of Incorporated Accountants and Auditors, has been appointed a Deputy Lieutenant of the County of Bedford.

Mr. Wilfred H. Grainger, F.S.A.A., having retired from the position of Chief Accountant and Controller of the Prudential Assurance Company, Limited, has been appointed Vice-Principal of the British College of Accountancy, Limited.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

COMPTON, OLIVER WESSELS (Compton & Horne), 374, Smith Street, Durban, South Africa, Practising Accountant.

HARRISON, LEWIS, 55, Maitland Street, Bloemfontein, South Africa, Practising Accountant.

HORNE, GEORGE EDWARD LANCELOT (Compton & Horne), 374, Smith Street, Durban, South Africa, Practising Accountant.

PAYMASTER, DHANJISHAW RUTTONJI, B.A., LL.B. (S. B. Billimoria & Co.), Bharat Buildings, Lahore, Practising Accountant.

ASSOCIATES.

ABRAHAMS, REUBEN (Henochoberg, Wolpert & Abrahams), 1-4, Wintons Chambers, West Street, Durban, South Africa, Practising Accountant.

BENNETT, REGINALD EDWARD, Clerk to Saunders, Daffarn and Saunders, Gresham College, Basinghall Street, London, E.C.2.

BURDITT, LEONARD BERTRAM, Clerk to Freeman, Bream and Co., 1, Wycliffe Street, Leicester.

CHAKRAVARTY, NABES CHANDRA, M.A., formerly Clerk to F. W. Harris & Co., 28, New Bridge Street, London, E.C.4.

CHUBB, JAMES LEWIS, High Holborn House, High Holborn, London, W.C.1, Practising Accountant.

COLE, ERIC ALFRED CLEMENTS (E. A. Clements Cole & Co.), 20, The Approach, Acton, London, W.3, Practising Accountant.

COX, FREDERICK GEORGE, Clerk to Clench, Hewitt & Co., Hastings House, 10, Norfolk Street, Strand, London, W.C.2.

DAVAR, MINU SAVAKSHAH, formerly Clerk to Pix and Barnes, 24, Coleman Street, London, E.C.2.

DEAN, JOHN WILFRED, Clerk to Procter & Procter, Central Chambers, Market Street, Nelson, Lancs.

FLOWER, GEORGE, Clerk to Evans Smith, Boothroyd & Co., 79, Mark Lane, London, E.C.3.

GLENDENNING, RAYMOND CARL, B.Com., Clerk to Walter Hunter, Bartlett, Thomas & Co., 24, Bridge Street, Newport, Mon.

HAWLEY, GORDON (Gordon Hawley & Co.), 72, Mark Lane, London, E.C.3, Practising Accountant.

HOUSTON, ERROL CHAPMAN, Clerk to Trotter & Houston, Church Street, Durban, South Africa.

JONES, BASIL SANDERS, Clerk to Halsey & George, Rennie's Buildings, 394, Smith Street, Durban, South Africa.

JONES, KENNETH FRANCIS, Clerk to Clench, Hewitt & Co., Hastings House, 10, Norfolk Street, Strand, London, W.C.2.

LAMBERT, HORACE CECIL, Clerk to H. Slater & Son, 5, St. Andrew's Street, Cambridge.

LEACH, HAROLD FREDERIC, Clerk to F. P. Leach, Tontine Buildings, Colston Avenue, Bristol.

LOFTHOUSE, WILLIS JOHN, H.M. Inspector of Taxes, 2nd District, Post Office Buildings, Middlesbrough.

McLEMON, EDWARD CHARLES, formerly Clerk to Houston, Roberts & Co., 154, St. Vincent Street, Glasgow.

MASON, JOHN HERBERT, Clerk to Basil Frederick Newill, National Chambers, Horsefair Street, Leicester.

- NUTTALL, CYRIL, 18, Richmond Terrace, Blackburn, Practising Accountant.
- PETTITT, CYRIL HENRY, Clerk to Benbow & Ains, 2A, Sheep Street, Northampton.
- PHILIP, EDWARD ROBERT, B.Com., Clerk to F. W. Anton Eveleigh, Library Buildings, Market Square, Port Elizabeth, South Africa.
- RAYBONE, HARRY FAULKNER, Clerk to W. Vincent Vale & Co., 20, Queen Street, Wolverhampton.
- RENVOIZE, JACK, Clerk to Henry J. Burgess & Co., 14, St. Mary Axe, Leadenhall Street, London, E.C.3.
- SINGH, GURPAL SINGH, formerly Clerk to E. G. Bourne and Co., 6, Holborn Viaduct, London, E.C.1.
- TUCKER, JOHN HENRY, Audit Department, Co-operative Wholesale Society, Limited, 130, Leman Street, London, E.1.

Incorporated Accountants' Students' Society of London and District.

Syllabus of Lectures for the Autumn Session :—
1931.

- Oct. 6th. "The Soviet Five Year Plan," by Mr. G. Soloveytschik, M.A.(Oxon.). *Chairman*: Mr. E. Mackenzie Hay, Director of the Statist.
- Oct. 13th. "Taxation as an Economic Factor," by Mr. W. J. Back, Incorporated Accountant. *Chairman*: Mr. E. Cassleton Elliott, Vice-President of the Society of Incorporated Accountants and Auditors.
- Nov. 10th. "The Principles of Commerce," by Sir Francis Goodenough, C.B.E. *Chairman*: Sir James Martin, J.P., Incorporated Accountant.
- Nov. 17th. "The New Land Taxes," by Mr. E. E. Edwards, B.A., LL.B., Parliamentary Secretary, Society of Incorporated Accountants and Auditors. *Chairman*: Mr. Henry Morgan, President of the Society of Incorporated Accountants and Auditors.
- Nov. 24th. "The Stock Exchange," by Sir Stephen Killik, J.P., President of the Society. *Chairman*: Mr. R. J. Barrett, Managing Editor of the *Financial Times*.

Meetings will be held at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, at 6.15 p.m.

ENTERTAINMENTS DUTY.

(As per Schedule II of The Finance (No. 2) Act, 1931.)

As from November 9th, 1931, Entertainments Duty within the meaning of the Finance (New Duties) Act, 1916, is to be charged at the rates set out below :—

Amount of Payment	Rate of Duty
Where the amount of payment for admission, excluding the amount of the duty—	
Exceeds 2d. and does not exceed 2½d. ..	½d.
Exceeds 2½d. and does not exceed 6d. ..	1d.
Exceeds 6d. and does not exceed 7½d. ..	1½d.
Exceeds 7½d. and does not exceed 10d. ..	2d.
Exceeds 10d. and does not exceed 1s. 0½d. ..	2½d.
Exceeds 1s. 0½d. and does not exceed 1s. 3d. ..	3d.
Exceeds 1s. 3d. ..	3d. for the first 1s. 3d. and 1d. for every 5d. or part of 5d. over 1s. 3d.

Obituary.

ROBERT PEVELER.

We regret to announce that Mr. Robert Peveler, F.S.A.A., died on September 17th, at the age of 81. Mr. Peveler was senior partner in the firm of Peveler and Peveler, Incorporated Accountants, of Harrogate, Leeds and Ripon, and had been in public practice since 1890. Mr. Peveler became an Associate of the Society in 1902, and a Fellow in 1922. He was an active member of the Y.M.C.A., being one of the founders of the Harrogate branch.

Changes and Removals.

Mr. Roland J. L. Ball, Incorporated Accountant, has taken into partnership Mr. Frederick H. Leach, Chartered Accountant. They will practise under the style of Ball & Leach at 11, Park Place, Leeds.

Mr. Jesse Boydell, F.S.A.A., Borough Treasurer of Wolverhampton, has been appointed City Treasurer of Nottingham, in succession to Mr. F. I. Fox, F.S.A.A., who is about to retire.

Messrs. Cash, Stone & Co., Chartered Accountants, 48, Copthall Avenue, London, E.C.2, have admitted into partnership Mr. R. C. Y. Hughes, M.A., F.C.A. The style of the firm will remain as heretofore.

Mr. James L. Chubb, Incorporated Accountant, has commenced public practice at High Holborn House, High Holborn, London, W.C.1.

Mr. M. T. Déung, A.S.A.A., Deputy Accountant of the Sutton and Cheam Urban District Council, has been appointed Accountant to the Slough Urban District Council.

Mr. Cecil H. Jefferson, Incorporated Accountant, has been taken into partnership by Mr. Basil Spooner, Chartered Accountant, in connection with the branch of his business at Scunthorpe. The practice will be carried on at Holder Chambers, Scunthorpe, under the style of Spooner & Jefferson.

Mr. S. K. Kar, B.Sc., Incorporated Accountant, has commenced public practice at 8, Dalhousie Square East, Calcutta, under the style of S. K. Kar & Co.

Mr. N. F. Master, Incorporated Accountant, announces that he has commenced practice at 265, Bowbazar Street, Calcutta.

Mr. G. F. H. Shipton, Incorporated Accountant, has commenced public practice at Orchard Chambers, Orchard Street, Bristol.

Mr. James Walsh, Incorporated Accountant, has commenced to practise at Cecil Chambers, 76, Strand, London, W.C.2.

Messrs. Alfred Wells & Co. have removed to County Chambers, 122A, Queen's Road, Brighton.

Mr. G. F. Richardson, F.S.A.A., has been elected Master of the Worshipful Company of Tallowhandlers for the current year.

The Soviet Five Year Plan.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

Mr. G. SOLOVEYCHIK, M.A.(Oxon.).

The chair was occupied by Mr. E. MACKENZIE HAY, Director of the *Statist*.

Mr. E. MACKENZIE HAY, in opening the proceedings, said: Mr. President, ladies and gentlemen; since your Society concluded its last session earlier in the year we have been living through very stirring times. The economic blizzard has developed into a tornado, which has swept as fiercely, if not more fiercely, round the British Isles than over any other country in the world. I think, in these circumstances, it is forgivable if the pre-occupation of our minds with the very grave political, financial and economic events at home should have diverted our attention from those external problems to which formerly we were devoting consideration. But those external problems remain, and perhaps foremost among them all is the enigma of Russia and the Five Year Plan. We are therefore to-night, I think, singularly fortunate in having in Mr. Soloveytschik one who is doubly qualified to enlighten and instruct us upon that problem. I say "doubly qualified" for these reasons: Mr. Soloveytschik is a Russian who lived in Russia for a number of years up to and over the very dark days of the October Revolution. He therefore completely comprehends the psychology of the people, and is able accurately to gauge their motives. In addition, he is a Graduate of an English University, and has for many years been engaged in economic research and writing in this country. He therefore possesses what I think is a happy combination of qualities in a lecturer upon Russia to an English audience, and it gives me the greatest pleasure now to call upon him to address you. (Applause.)

Mr. SOLOVEYCHIK said: The recent dramatic events in this country have quite naturally monopolised everybody's attention. Not only the British people, but all foreign countries are following with anxiety the unprecedented developments in the political and economic life of Great Britain. There is hardly any need to emphasise how much the world's commerce and political stability are affected by England's crisis, and the general concern can therefore easily be understood. Yet there is one country which is rejoicing at Great Britain's plight, and that country is Soviet Russia. The Bolsheviks quite rightly consider Great Britain as the bulwark, as the very stronghold of capitalism, and therefore their efforts to destroy capitalism have always been directed in the first instance against the British Empire. That is why they now welcome this country's grave difficulties as bringing them one step nearer to their desired object—world revolution. From a purely political, I may say propagandist point of view the world crisis is an unexpected boon to the Bolsheviks. Not in their wildest dreams could they have hoped to bring more discredit on the capitalist system than it has brought upon itself. Yet, while from the demagogue point of view the world crisis in general, and England's crisis in particular, offers untold opportunities to the Bolsheviks, opportunities out of which they are bound to make a great deal of political capital, the economic repercussions of the present situation on Soviet Russia are of a very different kind. Both the whole theoretical structure and the practical achievements of the Five Year Plan are threatened. For the success of the Plan in Russia in its present stage is very

largely dependent upon conditions abroad, and in the Bolsheviks' own admission it could never be realised without foreign financial and technical help. Germany, England and America have until now been the principal sources of such help. But conditions at home make it extremely difficult for Germany and England to go on financing and equipping the Soviets as they have done in the past. As to America and France (with whom the Bolsheviks recently re-started important negotiations with a view to obtaining large long-term credits) the heavy demand on these two countries from elsewhere and their own domestic difficulties make it most unlikely that a basis for an arrangement with the Soviets will be found. Again, since the Bolsheviks sell most of their goods to Great Britain and are paid in sterling and purchase most of their machinery and equipment elsewhere, the abandonment by this country of the gold standard has greatly reduced their capacity to pay. Their sterling balances with which they used to buy dollars to pay America or marks to pay Germany are suddenly worth only a part of what they were, and none of their calculations for future revenue from imports into Great Britain are sound or even approximately correct. Nor is it possible to make any estimates of their foreign trade in general, for to the uncertainty of world price fluctuations has now been added the further uncertainty of foreign exchange and of credit fluctuations. Thus we see that the trend of events in the economic and political life of the capitalist world is of the greatest significance to the U.S.S.R. and affects the Five Year Plan to the highest possible degree.

The desire to have a Plan is a logical consequence of the Communist programme. As early as 1918-1919, i.e., in the period of "militant communism," an attempt was made to put the economic life of the country on the basis of central planning and central control. By the end of 1920 this attempt of central control of the country's whole production—whether this applied to a bootmaker's shop or a peasant's field—and the distribution of all goods according to plan (including, for instance, tooth powder!) had failed lamentably. Such a crazy policy, particularly when attempted in a backward country half ruined by the war, could not possibly have resulted in anything but failure. When early in 1921 Lenin introduced his famous New Economic Policy, commonly known as the "N.E.P.," the Soviet Government was compelled to give up its endeavours of direct control over all the details of the country's economic life, but the idea of Planning still remained in the foreground of the Communists' minds. The idea of Russian "planned" economics as opposed to the capitalist system of individualist economics found its expression at every conference of the Communist Party, and was considered as a guiding principle by all State bodies of the U.S.S.R. Perhaps it will be remembered that the first great plan for complete reorganisation of Russia's economic life on a new economic and technical basis was Lenin's famous electrification scheme. Gigantic electrical plant was to be built throughout the country so as to provide not only every town, but even every village, nay, every peasant's hut, with electric power and current. At the eighth Party Conference in December, 1920, i.e., a short time before the introduction of the N.E.P., Lenin referred to the electrification scheme as the Second Programme of the Communist Party, and also said that "Socialism was the Soviet Government, plus electrification." But this was the period of almost complete collapse of Russia's economic life, and to avert the downfall of his Government Lenin introduced a new economic policy, the "N.E.P.," which restored a certain amount of freedom and liberty,

thus giving scope for partial economic reconstruction. The fundamental and immediate requirements of the early reconstruction period completely overshadowed the electrification programme and the supreme planning organisation; the State Planning Department, created in 1921, had to devote all its energies to the most acute problems of the day, *i.e.*, work out such plans and devices as would set the economic machine going again. Only when this was achieved could the State Planning Department and its sub-departments devote their energy to the future, and for the first time a plan for the following year was worked out in 1925-1926.

THE AUTHORS OF THE PLAN.

The authors of this plan, who were mainly old Socialist economists serving under the Communists but not belonging to the party themselves, were aware of the fact that the Plan was but a draft and modestly called it "control figures." But the Government made these draft control figures compulsory straightway and issued its introduction accordingly. In the following years the Planning Department had to prepare such figures annually, and the scope of the Plan was being consistently widened. During the period 1925-1929 this Planning was conducted on the following lines: in accordance with local reports, but chiefly in accordance with the political instructions of the Communist Party, the different Commissariats or Government Departments prepared draft schemes for their own requirements, for their individual industrial, commercial and other undertakings, and also a general plan. These draft plans were submitted to the State Planning Department whose job it was to bring them into co-ordination with each other in respect of Production, Supply of Raw Materials, Finance, Transport, Import and Export, Internal Consumption, &c. The Department then submitted its own Draft Plan to the Council of People's Commissars and the Central Executive Committee of the Communist Party, and if approved by these the Plan in the shape of "Control Figures" became compulsory for all State bodies.

It cannot be denied that in these years the Planning Department did work of considerable theoretical as well as practical interest. Its officials and their collaborators (in most cases non-Communists) devoted much time and energy to elucidating problems of great importance and collecting valuable data. And while the "Control Figures" were never realised in practice they were of certain use since they facilitated the task of comprehending and co-ordinating the disrupted economic life of the country.

But in 1928 the Government conceived the idea of ordering the preparation of a plan not for one year, but for five years, because it was argued that at least a period of five years would be required if a really far-reaching scheme for the complete transformation and industrialisation of the country was to be carried through. During the year 1928 a number of separate drafts of a Five Year Plan for Industry, Agriculture, Transport, &c., were prepared, and also plans for the whole economic life of the country. The Central Department moulded them all into one general plan, but this was rejected by the Communist Party. This was the time when within the Communist Party the Stalin group emerged victorious from a long fight against the various other groups and factions. The leaders of the so-called Right Opposition, many of whom occupied prominent positions in the realm of economics, were removed from their offices, the whole trend of the economic policy was revised, ever more violent industrialisation TEMPI were adopted, and the policy of the immediate realisation of socialism was proclaimed. Instructions were issued to the effect that

"there can be no real obstacles, all obstacles must be conquered."

THE FUNDAMENTAL IDEAS.

The fundamental ideas by which the authors of the Five Year Plan were to be guided in preparing their scheme were decided on by the fifteenth Conference of the Communist Party and confirmed by the general instructions of the Communist Central Executive Committee. They were, roughly, as follows:—The object of those in charge of Soviet economics is the creation of Socialism in the U.S.S.R. in the shortest possible period. The fact that this creation of socialism in the U.S.S.R. must take place while Europe and America remain relatively stable capitalistic bodies—an opinion shared even by the most ardent Stalinists—is considered a handicap, but not an insurmountable obstacle. All the necessary and quite sufficient elements and conditions for making socialism possible are to be found in the U.S.S.R., it was asserted. And when Trotzki ventured to declare that in a backward country like the Soviet Union socialism was quite unthinkable he was proclaimed a morally corrupt opportunist. The Five Year Plan is thus described by the Bolsheviks as an instrument of socialism. Its object is therefore in the first instance the elimination of that capitalistic curse—the anarchy of production by means of the realisation of a detailed production programme. As to the admitted obstacle of Russia still remaining a fundamentally agricultural community, this must be promptly removed by the application of a special transformation plan.

THE PRINCIPAL OBJECT.

The principal object of the Five Year Plan is therefore increased industrialisation, forced industrial expansion aiming at "overtaking and surpassing" Europe and America in every branch of production. First of all the staple industries are to be developed, those creating means of production, the lighter industries are to follow suit in a slower tempo. The object of the Plan is not only to create socialism in the U.S.S.R., but equally important is the object of making it absolutely independent of the capitalistic world both in respect of production and raw materials: the U.S.S.R. must be completely self-sufficient.

As to the enormous capital investments required by this vast industrialisation programme, the bulk is to come from the peasantry. The Five Year Plan rejects the "capitalist method" of appropriation of the workmen's surplus production and counts only in a small degree on imported capital, whether in the shape of money or goods. Agriculture is to be the real source of supply of capital, and therefore its transformation from private ownership to collective farming is only to be a gradual one. For the same reason the Plan suggests only a gradual liberation from the laws of a money economy, and relies on the continued existence for some time of private property in small industrial and commercial undertakings side by side with those belonging to the State. Finally, the Plan includes an extensive programme for raising the material and the cultural standard of the population, by providing more and better food and industrial goods, higher wages, better working conditions, better houses and greater social hygiene, as well as many other reforms in the realm of social policy and culture and education. "The Five Year Plan," stated its authors, "will bring the country to an unheard of high level of material and cultural development."

THE FACTS.

Such were the theories; now let us look at the facts. First of all a few general observations with regard to planning. You cannot build up a plan merely on assump-

tions. Yet it has no real basis, for all its factors are mutually inter-dependent. The fundamental factor for a Marxian is the question of the development of the productive forces of a country. In that connection the growth of the population is all-important. But the growth of the population depends on a number of conditions of economic, social and cultural order, which cannot be determined beforehand. Will, for instance, the present rate of the growth of the population in Russia continue, or will it undergo a change? Not only the quantity but also the quality of the population matters, e.g., its cultural standard. Or again: on what basis should the volume of production be calculated? Shall the reconstruction of industry and agriculture proceed on the *present* technical basis? How is it possible to calculate the changes that may be brought about by new discoveries and inventions of technical and scientific processes? It is hardly possible to ignore the eventual consequences of the wireless transmission of power, synthetic oil, or rubber, liquid coal, new metal alloys, artificial hose, new technical fertilisers and any other devices, some of which have merely reached the experimental stage, or perhaps not yet even been discovered at all. How can their influence be estimated? Or how can the natural resources of the country, frequently as yet unknown, be estimated and included in the Plan? Only in 1926 huge supplies of potash were found near the Volga, which can completely alter the outlook of Russian agriculture. Only in 1928 new mineral ores were discovered in Siberia. And then, even assuming that the Plan is prepared as prophetically as possible in this respect, still the question arises—how can the Plan be calculated so as to absorb *all* the energy of the population, thus leaving no possibility of unemployment? It is impossible to foresee the changes that will be brought upon the population by the very application of the Plan. How much labour will there be available for other employment as a consequence of rationalisation? How many workers and peasants will find themselves without any means of livelihood as a result of the disappearance of private commerce and private landownership? Will the State provide new jobs for all of them? And how shall the volume of production be determined: by the maximum possibilities of the country, or the minimum requirements of the population? But production can be considerably altered by the expansion and a change in the character of imports. These are but some of the difficulties. No wonder, then, that there have been many complete revisions of the Five Year Plan, and that no sooner a new plan is prepared the realities of life make its immediate revision indispensable, and that even the various draft plans last no longer than three or four months. As to the big and all-embracing Fifteen Year Plan, which is supposed to follow on the successful realisation of the Five Year Plan, the numerous drafts dealing with its various separate aspects have not yet been co-ordinated into one general plan. Incidentally it may be asked why, in the case of the success of the Five Year Plan which would establish socialism, there is any need for a future plan?

I think that I have said enough to show you the fundamental obstacles in the way of the full realisation of the Plan as conceived by the Bolsheviks. It is sometimes desirable and quite possible for the State to exercise a regulating influence over the economic life of a country or over some particular branch of industry, &c. Suffice it to mention Rathenau's brilliant planning of the supply of raw materials in Germany during the War. But the Bolshevik scheme is impossible because its objects are on too wide a scale, because the Soviet Government machine

is bureaucratic and inefficient, because its constant changing of the Plan—to bring it into line with their policy—results in chaos, because there are no full and precise statistics on anything, because a number of all-important factors that have the greatest influence on the life of the country are as yet unexplored—in a word, because the whole structure of Russia, despite the unquestioned power of the Government and the centralisation of everything in its hands, the very structure of Russia's economy makes extensive planning impossible. Russia is still overwhelmingly an agricultural country. The peasant world of Russia, which still represents about 80 per cent. of the population, lives, produces, sells and consumes without any regard whatsoever to the Plans of the State Planning Department. And they were supposed to be the principal reservoir of the capital required for financing the Five Year Plan!

During the first years of the Plan private industry and private trade in the cities were completely destroyed. At the same time private farms in the villages shrunk to a very small figure. Thus the principal pillars of financial support for the Plan became more than shaky, and great financial difficulties ensued. The State found itself compelled not only to finance the super-industrialisation of the country but also the collective farms in the villages. For, contrary to the Plan's estimate that over a period of five years only 20 per cent. of the peasants would become communised and live at the State's expense in return for work for the State, while the remaining 80 per cent. would remain private landowners and finance the State, the flight from private to collective farming took the dimensions of a proper stampede. Taxed to capacity, terrorised and oppressed in every way, the private peasants were giving up their plots, killing their cattle and flocking to the collective farms, where they were sure to be politically safe and where the State was bound to provide them with clothes and agricultural machinery, and even food. In the space of two years 75 per cent. of the peasants had become collective farmers, and the State was compelled to carry the burden of looking after them as best it could. In addition to this unexpected burden there was also a serious shrinking of revenue. There were no rich peasants to pay taxes, to be compelled to subscribe to industrialisation loans, and agriculture was rapidly becoming completely disorganised. Thus the only means of financing the Plan proved to be the note press and foreign credits, plus the money that could be realised by the sale of Russian goods abroad. According to the Plan the total capital investment required for creating Socialism in Russia in five years was 86 milliard gold roubles. The bulk of this was to be provided by taxation. The second largest source was to be the profit derived from industrial activity. It was hoped that over the period of five years production costs would fall while prices would remain steady, and that the State would thus benefit from this discrepancy. Then there comes the system of internal loans, which from the time of the currency reform (1924) up to 1927 were supposed to be voluntary, but which since that date have been admittedly compulsory. Finally there is the note press—the issue of paper money, described in the Plan as a "secret reserve." As to the investment of these 86 milliards, 62 per cent. were to go into industry and commerce, 26 per cent. for cultural purposes, and 12 per cent. were to be spent on the administration and military defence of the U.S.S.R. Fantastic figures were established for the growth of national income during this period, and the Plan proudly stated that in no other country could such a ratio of growth of the national income and of capital investment be found. The scope of this paper does not allow a detailed analysis of the way

the financial aspect of the Plan has so far worked out. But that it has completely broken down there can be no doubt. None of the estimates have proved even approximately correct, and as to the total outlay of 86 milliards roubles, it is now estimated that this figure is inadequate and that at least another 20 or 30 milliards will be necessary to complete the gigantic schemes of the Plan. As I have stated before, the note press and money obtained abroad have had to be utilised. The note press, this "secret reserve," has in fact been used and abused in a way that exceeds all expectations. According to the Plan not more than 200 to 250 million roubles of new paper money shall be issued each year. Yet at the end of the first year 670 million had been issued (or twice as much as the year before), and at the end of the second year 1621,7 million roubles. To avoid the publication of the dimensions inflation has reached in Russia, no figures have been issued for this, the third year of the Plan. The depreciation of the rouble in Russia has been a notorious fact for years, but until recently foreigners could only purchase *tehrvonetz* roubles at par. It is significant that recently some German banks have been officially selling roubles at the current rate, which is about 30 per cent. of their par value. To obtain the necessary finance the Bolsheviks have thus had to use their best endeavours to obtain foreign credits and have been driven to export all they possibly can and sell it at whatever price they can get. The so-called Soviet dumping is far more due to the desperate state of the bankrupt who has to liquidate all he can at whatever figure he is able to get than to a deliberate policy of dumping, although naturally the Soviets have used the threat of dumping in a very adroit manner. As to foreign credits, the position is now a critical one in view of the world crisis. But it is an amazing fact that Communist Russia has been able to raise in one form or another about 120 million pounds credits amongst the capitalist countries of the world. The short term debt of the U.S.S.R. to Germany alone is in the neighbourhood of 50 million pounds. At the same time the gold reserves of Russia have shrunk to a very low figure, and what with the constantly falling world prices the U.S.S.R. is rapidly heading towards default and financial catastrophe.

And yet despite all these handicaps, despite the impossibility of proper planning, despite the shortage of money, organisation, skilled labour, social peace, despite everything, the U.S.S.R. in the last few years has accomplished a technical marvel. It has not only succeeded in building some gigantic industrial plant, but through this Five Year Plan, which is economically unsound and logically impossible, the Soviet Government has successfully subjugated a nation of 160 millions and blackmailed the whole of the world. The technical achievement is perhaps less surprising.

THE PURPOSE.

To build factories under conditions prevailing in Russia with a starving and terrorised population is easy enough, provided you can find the money abroad (which will buy both equipment and foreign technical assistance), or if you can squeeze it out of your own population. After all it is possible to compel a race of slaves to build Pyramids or anything else, but the question is: what is the purpose of it all? By a supreme effort the U.S.S.R. has now completed or partly built a number of gigantic industrial undertakings. But are these factories economically sound? What is their purpose? The supply of Russia with cheap goods or the sale of them in the world's markets at knock-out prices? What is the quality and the cost of production of these goods? Can the Russian people afford, and do they require them? Are the authorities in a position to manage their factories, and keep

them in such a position as to make them profitable and efficient? Can they complete some of the biggest factories now in the course of construction and use them profitably? Can they create the necessary transport to connect these often dislocated industrial giants with the centres of population and markets they are supposed to supply, and can they link them up with the sources of raw materials and fuel required by them?

PLAN BROKEN DOWN.

While it is true that the process of Russia's forced industrialisation has been a stupendous one, yet not one of the purposes of the Plan has been achieved. Socialism is further than ever, and so is the improvement of cultural conditions. Economically the Plan has broken down. In fact, while certain industries have been highly developed and have occasionally even exceeded Plan estimates, the fundamental function of the Plan, *i.e.*, the co-ordination of the country's economic life into one harmonious concert has never taken place. But the political importance of the Plan has been and still is an enormous one. As an instrument for subjugation at home (the Plan without political terror would be unthinkable) and of blackmail abroad, as a method of preparing the country for a possible war with the rest of the world it has been most effective. For Lenin never stopped warning his followers that sooner or later a clash with the capitalist world would become inevitable. He was right. The continued existence of a new Russia, emerging as a triumphant result of the Five Year Plan's complete success is inconceivable side by side with the rest of the capitalistic world. For if it were possible for the Plan fully to succeed, this would mean that the Bolsheviks have made it economically and psychologically possible—which at the present moment it is not; in fact it would mean that the U.S.S.R. by means of the Five Year Plan has triumphed over all the problems and difficulties which at the present moment are shaking the capitalistic world to its foundations. If this were the case, it is obvious that such a triumph could not be localised only in the U.S.S.R. Russia's example alone would be enough to provoke an explosion elsewhere. The logical consequence and the ultimate effect of the Five Year Plan being completely successful can therefore be one thing only—world revolution. Whether this is likely, who can tell? In the meantime the U.S.S.R. is more affected by the crisis of capitalism than any other country. What the ultimate effects of this crisis will be it is impossible to conjecture. If the Plan breaks down completely, will it bring about the collapse of the Soviet Government, with all the internal and international complications that this involves? Or is there some new way of retreat possible, a new and expanded re-establishment of a certain amount of freedom and private initiative there was in 1921? And what would be the consequence of a new "N.E.P.?"

It is difficult within the brief space of a lecture to deal exhaustively even with a less complex series of questions than the ones I have touched on. What I have attempted to do is to suggest to you some of the fundamental aspects of the Five Year Plan, its chances of success or failure, and to draw your attention to the fact that despite the crisis and the legitimate preoccupation at home it is important not to lose sight of this most far-reaching experiment, conducted by the Soviet Government at the expense of both Russia and of the rest of the world. I hope I have helped you to concentrate your minds on this vast problem and if I have helped you to understand it, I am gratified.

Discussion.

Mr. L. G. MANSFIELD, Incorporated Accountant, said the Lecturer had expressed the opinion that if the Five Year Plan were successful it would mean the end of

capitalism. Was there no alternative to this or complete failure and chaos? If the Russians were convinced that their problem, although partially solved, could not be finally solved without capitalism, was there no way out? In the Lecturer's opinion, would there be any possibility of linking up that system (minus its intolerable features) with world trade, say, with the aid of the Economic Committee of the League of Nations, and so utilising that great potential force for the good of the world.

Mr. THOMAS KEENS, Incorporated Accountant, remarked that the Lecturer had said incidentally that Russia had blackmailed the world. It was, as he (the speaker) understood, one of the methods of finance of the Soviet Government to buy goods in this country and obtain nine months' credit, and to sell their goods in this country for cash, utilising the proceeds of sale to buy back their bills before maturity at a large discount. Was the Lecturer of the opinion that that was one of the ways by which we were blackmailed, and, if so, did he not think we were very foolish to put up with it?

The LECTURER replied that he thought the questioner was absolutely right, and that that was one of the methods of blackmail, but he was again being asked to express a personal opinion on the policy of this country, which he was extremely reluctant to do.

Mr. H. ROSE, Incorporated Accountant, asked what, in the opinion of the Lecturer, would be the position if the Five Year Plan should succeed in ten years?

The LECTURER said he thought that the continued existence of the Soviet system side by side with the world in its present state was impossible for any length of time, and that therefore the question would not arise.

Mr. BRADBROOK said he would like to ask the Lecturer quite clearly whether it was his opinion that the Soviet system would collapse very shortly?

The LECTURER remarked that, as he had said in his lecture, the Soviet system was more affected by the crisis of capitalism at the present time than any other country in the world. Until the crisis here and elsewhere took its present acute forms he had thought that the further existence and the realisation of the Plan depended entirely on foreign financial and technical help, and that therefore the key to the Russian situation was not in Moscow but in London, Berlin and New York. In the meantime events had proved the negative correctness of this contention. If England, America and Germany would stop financing Russia, not because they wanted to stop doing so but because they could not, he thought that the whole Soviet structure would be more than threatened and might collapse.

Mr. W. J. BACK, Incorporated Accountant, said he was sure that all present would like to say how greatly they appreciated the lecture to which they had listened, and to congratulate Mr. Soloveytschik on his ability in expressing in their language, which was not his own, thoughts and ideas which were by no means easy of expression even for people whose mother tongue was English. He wished to ask the Lecturer whether it did not occur to him that there was an extraordinary parallel between the Five Year Plan as he had described it that evening and exactly what was happening, and what had been suggested, under the name of rationalisation for very large industries in this country. Suppose such an organisation could be formed as a rationalised cotton concern covering, say, Lancashire, and a series of other similar rationalised concerns for various other trades, would they not, in fact, pretty nearly do the thing that the Soviet system was trying to do, but in a series of separate departments which would only need some central organisation to turn them into a capitalist equivalent to the Russian Soviet Plan?

The LECTURER thought there certainly was a very great analogy between rationalisation and planning; in fact, planning was rationalisation carried one step further. In Russia, however, he thought he might claim that none of the premises which made planning possible existed. It was possible to plan and rationalise with a certain measure of success in a highly civilised country,

with full statistical data available with regard to movements of the population, the growth of national income, purchasing capacity, consumption, distribution, and so forth; but in a country like Russia, where none of these things existed, it was absolutely impossible to draw up any schemes or plans even approaching any degree of practicability or correctness. As he had tried to emphasise in his lecture, the whole Plan was pure guesswork making theoretical assumptions that had no foundation at all but were dictated solely by political considerations.

Mr. WALTER HOLMAN, Incorporated Accountant, said it had been customary in this country for economists to tell us that the ultimate test of the prosperity of a country lay not so much in its economic structure as in the happiness and the well-being of its people, and he would be very much interested if the Lecturer could give the meeting some indication as to whether, in his opinion, the people of Russia were better, healthier, and happier now than they were under the old regime.

The LECTURER thought he could answer the question very briefly. In his opinion the people of Russia were never more miserable than at the present time, and, while the Soviet Government was endeavouring to whip up their enthusiasm by promising them that, with one more effort and yet another year of the Plan, there would be Paradise on earth, he (the speaker) thought disillusionment was growing and that, with the exception of the Army and members of the Communist Party, who were enjoying every kind of privilege, the population was never worse off and more discontented than it was at the present time.

Mr. BAIRD asked as to the position with regard to the Communist Party in Russia and the bulk of the Russian peasantry. Were not all the Russian peasantry *ipso facto* members of the Communist Party?

The LECTURER: No.

Mr. GUYA said that the Lecturer, if he himself had not made a mistake, had created the impression that the Five Year Plan was based on uneconomic principles and was bound to fail, and was bad. He had also indirectly indicated, by describing the condition of the Russian people as being worse than it had been at any other time, that this method of extensive industrialisation and the extinction of private property was bad. Although he (the speaker) had not matured his opinions on the subject, because he had not made a sufficiently extensive study of it, he did not see, from the facts that he sometimes came across in the papers, any reason why such a Plan should be condemned. It was now said that this Plan was in a bad state because the Russian Government was devoting more attention to blackmailing other countries, as the Lecturer had put it, or, in other words, to putting capitalism at discredit. It might also have the object of selling articles at very low prices so that artificially it might bring about an economic crisis in other capitalistic countries. On the other hand, there was no denying that it had, on a very large scale, increased its productive power. He would like to know if the Lecturer thought that the Plan intrinsically was bad apart from the motive for which it was concocted.

The LECTURER said he thought that the gentleman who had just spoken was rather under a misapprehension. He himself had never questioned the utility or value of an industrialisation process. He had said that the forced industrialisation taking place under entirely abnormal conditions in Russia, as it was at the present time, did a great deal of harm to the population. But under free and constitutional Government, recognising private property and encouraging initiative and enterprise, also if there were a free market, freedom of exchange, freedom of foreign trade, and freedom of work, and if there was a restoration of liberty, an industrial process, such as we had seen in Russia during the 50 years preceding the Great War—a period of immense industrial expansion—during which Russia became in some respects one of the leading industrial countries—for instance, the output of oil was greater for a few years than that even

of America—would certainly result in a great amount of wealth; but he thought the present Government did not offer any of the conditions under which such a process could be in any way profitable to the population.

Mr. GUYA said that the Lecturer had stated that he did not favour the idea of forced labour on which the Russian industrialisation was based. Did he thereby mean that the labourers were overworked?

The LECTURER said that, as to the question whether it was free or slave labour, the answer was that it was definitely slave labour. As to whether the people were overworked or not, that was difficult to answer. Even if they were not overworked—and he thought they were—they were certainly underpaid, and with the results of what they got for their work they certainly could not get any of the amenities which were enjoyed by workmen in even the most backward countries.

Mr. H. A. MANNING said that the Lecturer had mentioned the question of the repercussions which the Five Year Plan, if it succeeded, would have on the world at large. Was it not true that if the Five Year Plan succeeded it would be by Russia underselling in the world's markets, and was it not true that that would probably entail a lower standard of living among the working people of Russia than there was in general among the other nations of the world? Therefore, would the people of the other nations of the world be inclined to embrace Socialism of the Soviet type if it would mean that they were being undercut by Russia and their standard of living was being inevitably reduced?

The LECTURER said that that was really asking the question whether the rest of the world would willingly adopt a lower standard of living or not; but he might observe that if the Plan were really fully successful there would be no reason for Russia either to buy or to sell anything abroad, because the country would be self-sufficient—would itself manufacture all it wanted and would consume it.

The CHAIRMAN said he was rather reluctant to put an end to questions because he felt that they were getting to the moment when they might possibly begin to get a little more heated and interested. One of the difficulties inherent in a discussion of the problem of Russia was that one was apt to be rather biased by one's fundamental political and social ideas. One met the same difficulties, he had found, in a discussion of Fascism. They were inclined to be too sweepingly assertive and to draw their conclusions not from a careful and objective study of the problem as a whole, but from prejudiced conceptions; and, very unhappily, too, this attitude was largely fostered in those directions from which they ought to receive instruction. Only a day or two ago he had picked up a responsible newspaper and found a most amusing and satirical account of a new departure in Soviet regime. No attempt whatsoever was made to explain the motive behind it. But, however odd the development of Russia and its Five Year Plan might appear to be, it was not a subject that could be dismissed as a joke. He thought Mr. Soloveytchik had shown them very clearly in his extremely instructive paper that it was not only a serious problem but one of the most serious questions in world politics to-day, and he thought—in fact, he was sure—that that gentleman could get a very considerable volume of authoritative opinion to support the conclusions which he had given that evening. Perhaps one of the most interesting points he had touched upon concerned the effect upon the economy of the Plan of the present world credit crisis. Even before the credit crisis assumed its present catastrophic proportions the Plan, as a period Plan, would seem already to have been imperilled. Even as late as last July the normal purchasing operations of the Soviet Trade Delegation in Germany were very seriously hampered by the financial difficulties of that country. Many German firms—first class firms—unable to obtain financial accommodation from the banks, were compelled to discount Soviet bills on the so-called Black Bourse at prices ranging from 17 per cent. to 20 per cent., and second and third class

firms at even higher rates—25 per cent. to 30 per cent. Soviet credits offered again by first class German firms in the City of London were discounted on much the same basis. Most of the merchant banks who undertook that class of business were, moreover, exactly the same merchant banks who had been so heavily engaged in the financing of Germany, Austria, Hungary and every other Continental country. If, therefore, the financing of Soviet trade was so expensive as far back as last July, what was it likely to be now when practically the whole world credit machine had broken down? He thought they could safely conclude that the terms would be so extremely onerous as to be almost prohibitive; and that raised some rather interesting speculations about the future. The Soviet had gone through a credit crisis before, and he thought they might assume that, even under the existing difficulties of this time, she would make desperate efforts to secure credits by any and every means, and one of those means, he presumed, would be an intensification of dumping abroad which would make previous efforts at dumping pale into insignificance. Another aspect of this Soviet credit question to which reference had been made already was that this expensive form of finance must inevitably enormously raise the cost of production in Soviet Russia. He supposed that the over-capitalisation of industry there—because that was what it really amounted to—could be negated for a time by a depression in wage and labour costs, but it was difficult to believe that that could continue indefinitely without possibilities of serious internal disorder. Whether the Five Year Plan had in it at this moment the elements of success or failure, he was inclined to agree with Mr. Soloveytchik that its immediate significance was in political rather than in economic directions. To-day the whole world was in great distress, and he (the Chairman) thought it was very natural that people in their misery should more and more be questioning the individual capitalistic basis upon which society was conducted. For himself he believed profoundly that capitalism was being wrongly blamed for many of the ills under which the world was suffering. Left freely to function, capitalism could solve many of these problems, but it was waging its fight to-day with tied hands. Hampering legislation, restrictive labour conditions, swollen and extravagant and national expenditures, and a universal economic nationalism were overburdening the machine and providing a load which no system on earth could stand; but it was interesting to observe that, intent as Communism and some democracies appeared to be on the destruction of capitalism, they did not hesitate to accept its cardinal principle to assist them in the achievement of their objects. Stalin himself had admitted that payment according to the worker's needs and not according to the skill and volume of his output killed initiative and destroyed the incentive to progress. One felt very much that a fuller recognition of that principle to-day in capitalistic countries could go a long way towards alleviating our own troubles and averting, too, the dangers from Russia which Mr. Soloveytchik had so interestingly described in his address.

Sir STEPHEN KILLIK (President of the Society), in proposing a vote of thanks to the Lecturer, said he thought all present would agree with him that the subject was one of intense interest and that the qualifications of the Lecturer to address that meeting were undoubted. It was said that "Brevity is the soul of wit." At that period of the evening it was at any rate a very good substitute for it, and he did not, therefore, propose to address those present at any length. The subject was one upon which he might have a good deal to say, but he did not think this was the time to say it, and he would content himself by proposing a very hearty vote of thanks to Mr. Soloveytchik.

Mr. G. ROBIE PRIDIE (Vice-President of the Society) seconded the vote of thanks, which was passed unanimously.

The proceedings concluded with a vote of thanks to the Chairman, proposed by Mr. E. CASLETON ELLIOTT, and seconded by Mr. KEENS.

ACTION FOR ALLEGED NEGLIGENCE.

An action against accountants for alleged breach of duty in certifying the accounts of the West Hartlepool branch of the Maritime Insurance Company, Limited, was heard by Mr. Justice Roche in the King's Bench Division on October 13th to 16th. Plaintiffs were the Maritime Insurance Company, Limited, of the Strand, Liverpool, and they sued William Fortune & Son, Church Square, West Hartlepool, Chartered Accountants, for £522 damages. The defendants denied the negligence alleged and pleaded that they were not employed as auditors, but were only engaged to see that certain monthly returns were correctly made out from the books kept by the company's servant.

The case was started a year ago at Newcastle.

Mr. C. F. Lowenthal, K.C., and Mr. C. B. Fenwick (instructed by Messrs. Botterell, Roche & Temperley, of West Hartlepool, agents for C. Batesons & Co., of Liverpool) appeared for the Maritime Insurance Company, and Mr. N. L. C. Macaskie, K.C., and Mr. J. Charlesworth (instructed by Messrs. Turnbull & Tilly, of West Hartlepool) represented the defendants.

Mr. Lowenthal stated that the Maritime Insurance Company had a branch office at West Hartlepool, where the accounts were kept by Mr. Audas. It was his duty to send monthly returns to the head office in Liverpool showing the state of the accounts as between the branch and the head office and the amounts due from policy-holders as premiums and to policy-holders in settlement of claims. The defendants gave to these returns the cleanest certificate that he had ever seen in the course of his professional career. In fact not one of these returns and not one of these lists of balances accorded with the true facts. Comparison of the balances with the ledger would have shown discrepancies again and again during the thirty-seven months between January, 1926, and January, 1929. There were, in fact, 614 inconsistencies between the ledger and the lists of open balances.

Of the ultimate deficiency of £522, £395 was on one account alone, that of Rowland & Marwood, steamship owners, of Whitby, though in fact all their cheques passed through the company's banking account at West Hartlepool. In the three years they paid premiums amounting to £3,387. They were short credited to the extent of £395 and the money rendered available by this short credit was credited to other persons.

His Lordship: Let us see if I understand the system pursued by Mr. Audas. Some of Rowland & Marwood's money is credited to other people. The other people had paid before and Mr. Audas had taken their money, but he made it up in this way.

Mr. Lowenthal said that Rowland & Marwood had shown extraordinary patience in waiting for the settlement of claims allowed by the head office. Without seeking to impose on the defendants any very heavy burden he submitted that they ought to have applied at least one of a number of tests which would have shown what was happening, and it was their duty instead of giving the clean certificate to put a note upon it which would have caused the head office to make earlier inquiries. Comparison with the ledger would have shown that the list of open balances did not coincide with the entries in innumerable instances. The cash book was kept in such a way as to show that it was not a contemporary record. It contained no dates, and it was not even written up for the current month. Assuming that it was the duty of Messrs. Fortune to audit at all, the condition

of the cash book threw upon the auditors a still greater burden. Either they could have counted the cash at the end of every month, or they could have checked the application of the customers' cheques.

They did not count the cash, and their reason was that they only came in to do their work in the middle of the month. In his submission that was a bad reason, and it was their elementary duty in such circumstances to have payments in and out vouched since the end of the previous month. Without that they could not properly say that the returns had been examined and found correct.

He submitted also that they ought to have asked for information with regard to the cheques in the bank pass book. Examination of the counterfoil paying-in book would have shown that the credits to customers did not accord with the cheques received. The juggling with the account of Rowland & Marwood would have been disclosed instantly by such an examination.

Further, no vouchers were called for to show the cash and cheques received. Defendants' explanation of that was that the receipts and accounts were sent to the clients. He submitted that, having regard to the condition of the cash book, it was negligent to grant a certificate without calling attention of the head office to the fact that none of these things had been checked. They never even called attention to the condition of the cash book. If the Court held that the terms of Fortunes' employment were such that they had in fact carried out their duties, it would make the employment of auditors and accountants a mere farce, but in his submission it was impossible even to take the view that they were not purporting to act as auditors in the ordinary sense.

Mr. Herbert McCulloch, chief accountant to the Maritime Insurance Company, said in evidence that before discovering the deficiency in the accounts of Mr. Audas he went to West Hartlepool to arrange for an alteration in the system of checking. Messrs. Fortune's representative never suggested on that occasion that they were not auditors, and until this action was started he had not heard any suggestion of a limitation of their duties.

Does any one of the lists of open balances, inquired Mr. Lowenthal, between January, 1926, and January, 1929, truly show the amount of the open balances on the dates on which they were alleged to be open?—Witness: No.

Mr. McCulloch, proceeding, said that examination of the cash book, the ledger and the counterfoil paying-in slip book would have demonstrated that it was not possible to say the lists of open balances were correct.

Cross-examined, he thought that with ordinary diligence Messrs. Fortune could have discovered the defalcations of Mr. Audas from these books. They had access to more documents than head office.

Don't you think, said Mr. Macaskie, that your system at head office was a little lacking?—No. Proceeding, witness said that if Messrs. Fortune had looked at the paying-in slip book they would have seen the amount received, and examination of the ledger or other books would have shown whether that was the amount of premiums due or the amount of premiums less something for claims settled.

Have you ever heard of an auditor looking at a counterfoil paying-in book in the ordinary discharge of his audit?—Not if he can find another check.

Have you yourself ever known of a case of an audit being conducted by an auditor resorting to a counterfoil paying-in book?—On one occasion; it was a tennis club account.

Do you think Mr. Fortune exaggerates when he says it has never been suggested in the course of carrying out of

the duties of an auditor that the counterfoil paying-in book should be checked for the purpose of auditing the cash book?

His Lordship: I cannot understand that. It is the first thing the commonsense man looks at if he does not understand the pass book.

Mr. Herbert McCulloch, plaintiffs' chief accountant, was cross-examined by Mr. N. L. C. Macaskie, K.C., for the defendants. He said that he went to the West Hartlepool office in 1929, and Mr. Audas confessed to the deficiency.

His Lordship: You did not have to find it out from the books yourself?—No, my Lord. He told me he had taken the cash and it had been going on for some time.

His Lordship: Compared with your own business in Liverpool, would the West Hartlepool business be a one-hundredth part?—Less than that.

Mr. McCulloch suggested that instead of certifying the accounts as examined and found correct, Messrs. Fortune should have certified them as "in accordance with the books" if their view of their duties was correct. He did not know what Messrs. Fortune were told they would be expected to do when they were originally engaged. He did know that they agreed to conduct this monthly investigation for a fee of one guinea a month.

Mr. Macaskie: A somewhat modest fee for what you say was a strict audit?—Not in my opinion.

Don't you agree that if this were intended to be a strict audit and not the check we say Messrs. Fortune were employed to carry out, that the transcript of orders and settlement of claims and returns which you had at head office would have been sent to Messrs. Fortune for them to check with the books at the branch?—No.

Don't you think one thing these gentlemen should have been warned about was the extraordinary position of responsibility in which Mr. Audas was put?—Mr. Audas was always in that position.

I suggest to you that the head office had all the material for carrying out an audit themselves?—No.

For the defence, evidence was given by John C. Fortune, F.C.A., senior partner in William Fortune & Son. He said that this work was first undertaken in 1900 when the Hartlepool business was an agency and not a branch. At that time his father was the head of W. Fortune & Son. What they were told was that the monthly returns were unsatisfactory, and the Maritime Company wanted to see that they came forward in better form and more regularly. The form was prescribed by the Maritime Company, and what Fortune & Son had to do was to see that the facts and figures stated were based on entries in the books. At no time were they asked to do more than check the returns by the set of books shown to them in the office. It was usual to check the cash book with the pass book. Except in an investigation when there was reason to believe that something was or might be wrong the cash book was never checked with the paying-in book.

Cross-examined, Mr. Fortune said anybody could have done the work which his firm was employed to do, although there was much more of it when it was started. If the books were written up his firm's job was to see that they were properly transcribed.

His Lordship: Do you mean that if you found that the books were balanced by error you had not to call anybody's attention to that?—We had not. Proceeding, witness said that the state of the cash book did not prevent them from checking the cash in the middle of the month, but the balances shown were very trifling—between £25 and £50. Inasmuch as there was other cash besides

Maritime cash in the office it would have served no useful purpose to have asked for production of it because the amount could very easily have been produced. If they had been auditors in the ordinary sense they would have considered the cash position and have reported to head office that there was mixed cash and asked if the head office wanted them to do their best to trace it.

Mr. John C. Fortune, continuing his evidence under cross-examination by Mr. Lowenthal, K.C., for the plaintiffs, said that so long as the books contained nothing suspicious all his firm had to do was to see that the returns made by Mr. Audas to head office coincided with the entries in the books.

Mr. Lowenthal: That is something new. If you put that upon me I cannot treat you with the respect I would wish.

His Lordship: A man cannot be morally blamed because he thinks better of what he has said.

Mr. Cyril Charles Akers, partner in William Fortune and Son, said that he personally went to the West Hartlepool branch of the insurance company to do this work two or three times a year. Though the cash book was not written up from day to day he saw nothing in that to arouse his suspicions.

His Lordship, giving judgment, said this case was made the more difficult because of the fact that the employment of the defendants upon which a great deal turned started more than thirty years ago. There were three matters to be considered: (1) What was the scope of the employment? (2) Did the defendants perform their duties or were they guilty of negligence? (3) Was the loss sustained by the plaintiffs the result of acts or omissions of Messrs. Fortune? What happened was that there was in the employment of the West Hartlepool branch a Mr. Audas, a man who was no doubt up to a point of very real respectability, and who was esteemed and trusted by all who knew him. Unfortunately for some years before 1929 he permitted himself to use his employers' money as if it was his own, and he covered his mis-dealings by omitting to enter in the books of account the receipt of considerable sums in cash and cheques. The question was whether the employment and duties of Messrs. Fortune were such that they ought to have found out what Audas was doing.

Two competing views as to the duties of Messrs. Fortune had been put before the Court. He thought that their duty was not to conduct what might be called a full audit, nor was it simply to see that what appeared in the books was correctly stated or summarised in the monthly returns.

Messrs. Fortune were appointed at the time when the branch was an agency and the books of the agency were in some confusion, although no suggestion was made against the honesty of the then agent. With the advice of the insurance company's accountants there was a re-organisation and it was arranged that certain books of account should be kept and certain returns made to the head office to summarise the result of the entries in these books. In his view the employment of Messrs. Fortune was limited to examining the books, seeing that they corresponded with the books that had to be kept, and in that sense seeing that they were adequately kept, and seeing that they were adequately summarised in the return to the head office. Of course it would have been the duty of Messrs. Fortune to report on the matter if anything suspicious had appeared on the books. In his view there was nothing which excited or ought to have excited their suspicion. They were not in possession of material which would have enabled them to know whether

the business of the branch was being satisfactorily conducted or whether the books of account truly showed the state of affairs of the branch. He thought that the misappropriation of money was not detected before it was because there was no system in vogue by which the cash received could be checked. The acts and omissions which brought about the trouble were not the acts and omissions of Messrs. Fortune & Son, and they had been guilty of no breach of duty or negligence.

The counting of the cash would have been useless in the circumstances, and there was nothing which required them to go behind the books of account and examine the paying-in book. That was only done in cases where there was reason to suspect inaccuracy or dishonesty, and Messrs. Fortune had no reason to suspect that here.

Judgment was accordingly entered for the defendants, with costs.

INCORPORATED ACCOUNTANTS' LODGE.

The installation meeting of the Incorporated Accountants' Lodge was held at Northumberland Rooms, London, W.C., on October 27th, when Bro. Arthur Anderson was installed in the chair, in the presence of a large assembly, by his predecessor, Bro. James C. Fay. Among those present were Bro. Sir James Martin, P.G.D., Bro. M. J. Faulks, P.A.G.D.C., Bro. Rev. J. L. White (Nuneaton), Bro. Dr. S. L. Pearce, Bro. H. A. Pearman, Bro. Bertram Pearce, Bro. H. Dale Double, Bro. C. H. Smith, Bro. D. Dunlop, Bro. F. J. Park, Bro. S. P. Sadler, Bro. S. D. Payne, Bro. A. E. Mullis, Bro. E. W. Longhurst, Bro. H. J. Burgess, Bro. W. H. Payne, L.R., Bro. W. Holman, Bro. F. E. Clements, L.R., Bro. W. C. Chaffey, Bro. M. Widdowson, and Bro. A. A. Garrett.

Bro. Anderson appointed and invested his officers as follows:—Bro. F. E. Clements, L.R., S.W., Bro. A. V. Huson, J.W., Bro. W. H. Payne, L.R., Treasurer, Bro. M. J. Faulks, P.A.G.D.C., Secretary, Bro. Richard A. Witty, L.R., D.C., Bro. F. J. Nash, S.D., Bro. W. A. Pearman, J.D., Bro. W. C. Chaffey, A.D.C., Bro. H. J. Burgess, Almoner, Bro. A. R. Chart Leigh, Organist, Bro. W. J. Crafter, I.G., Bros. C. A. Holliday, A. F. Darr, C. A. Sales and D. F. Goode, Stewards.

At the dinner in the evening the health of the Worshipful Master was proposed by Bro. Richard A. Witty, who said that they all felt a special pleasure in seeing Bro. Anderson in the chair of the Lodge. Bro. Anderson was the first initiate in the Lodge ten years earlier. He had filled all the various offices leading to the chair and had won the respect and affection of all the brethren by his zeal and earnestness. Foremost amongst his qualities was the love of accuracy and perfection, and this was reflected in all his work. The original inception of the Lodge was largely due to a suggestion which emanated from Bro. Anderson, and all the Brethren would therefore feel a particular pride and pleasure in supporting him during his year of office in the chair. The toast was drunk with enthusiasm, and Bro. Anderson, in replying, said that he was very proud indeed to be occupying the highest position in the Lodge, and that he would use every effort to maintain the high traditions of the Incorporated Accountants' Lodge.

The toast of "The Visiting Brethren" was proposed by Bro. W. C. Chaffey, and responded to by Bro. Rev. J. L. White, Bro. B. Pearce, Bro. H. A. Pearman, Bro. D. Dunlop, and Bro. C. H. Smith, who all expressed their pleasure in being given the opportunity of supporting Bro. Anderson on this important occasion.

The fact that the Lodge Meeting was held on the same day as the General Election served only to increase the general enthusiasm which prevailed, and references were made to various Incorporated Accountants who were standing as candidates.

The Secretary of the Lodge is Mr. M. J. Faulks, M.A., F.S.A.A., 8-9, Martin Lane, Cannon Street, London, E.C.4.

Signposts to Costing Accounts.

A LECTURE delivered before the North Staffordshire District Society by

Mr. J. STEWART SEGGIE, C.A.
INCORPORATED ACCOUNTANT.

Mr. STEWART SEGGIE said: When I met Mr. Paterson Brodie in London a few months ago he practically insisted that I should open your winter session by giving a lecture. I then pointed out to him that as my audience might mainly consist of students it would be better that he should secure an accountant in practice to deal with any live subject. I am a mere civil servant and have been out of general practice for twenty years, but I have always endeavoured to keep myself up to date. I remember distinctly my own student days, and the difficulty I had in connection with costing accounts. No amount of "cramming" could give one an idea of what this subject meant to the industrial world and to accountants, and it was only by getting the privilege of visiting certain concerns and investigating their methods of costing that one got acquainted with the different principles involved and the different conditions prevailing as regards setting out a set of records for costing. My reason, therefore, for choosing the title "Signposts to Costing Accounts" was deliberate. Signposts only direct you but do not instruct you. They show you the way but do not describe in detail the turnings, the pot-holes, cross-roads, and other details of the road. You find those out for yourself, and my paper, therefore, is merely an indication of the lines or principles upon which all costing is based. Like a good traveller, accept the signposts as correct, and then get on the road for yourself, not merely by reading the various text books on the subject but by getting a practical insight into different concerns' books and costing methods.

My paper may be a little elementary to some of you, but to others I trust it will be of assistance in creating in your minds a real live interest in cost records. About twenty years ago I took the view that we were thirty years behind our American cousins in costing methods, but to-day we are in the position of saying we have made progress in the direction of devising cost systems to an extent undreamed of before the war. The manufacture of munitions and the payment by the Government to various concerns on a wages, material and oncost basis, brought to light the fact that in post-war years the same principles should be in force in deciding contract prices, in launching estimates, and in deciding on the sale prices in the manufacture of a specialised article.

In large commercial concerns the accountant devises the systems of cost records, and in doing so he has to make himself thoroughly acquainted with the various stages in production. The results obtained from recording the costs are of the most vital importance to the management, and consequently the management should look to accounting as a real factor in the conduct of the business. Administrative officials should, if they do not themselves possess an accounting mind (not necessarily an accounting qualification) draw freely on the accounting experts. Accounting is not merely record or account keeping. It includes the faculty of applying the results of the record keeping to constructive policy and the ability at the outset to decide what data will ultimately be required. Too often it is thought that the accounting department is merely keeping a record of figures arising out of some scheme set in motion by the administration. It would be well for the management to bear in mind that the

accountant is a very active player in the team, in the sense of pointing to economies and otherwise supplying statistical advice for future schemes or contracts.

Although not strictly costing, I would like to start first with a merchant who buys his goods ready for sale. The concern of the merchant is to sell his goods at such a profit as will cover his expenses and leave him a fair margin of profit. Knowing the fixed charges for running his business, such as rent, salaries, &c., the merchant estimates what percentage he must add to the cost to secure a return on the sales capable of recouping him for all expenses and sufficient to give him a profit.

Suppose, for example, that a merchant's charges on sales of £100 amount to £15, and in every £100 sales he wishes to secure £10 as profit, he must, in order to recover £25, add that amount to the cost (£75). We have this conclusion, therefore. To secure a percentage of 25 gross profit on the sales necessitates adding 33½ per cent. to the cost. Care, therefore, should always be taken when speaking of percentages to express the percentage on a stated basis. In the case given, the merchant adds 33½ per cent. to the cost to secure 25 per cent. on the sales. His percentage of gross profit is 33½ on cost and 25 on sales. His expenses represent 15 per cent. on the sales, but 20 per cent. on the cost. His net profit is 10 per cent. on the sales, but 13½ per cent. on the cost.

It is therefore very important after deciding what profit is desired, to so add to the cost sufficient to secure the desired percentage on the sale. In businesses where goods are bought for sale, this is practically the only costing point to which attention need be paid, but when the business is one where raw materials are bought and labour spent to bring the raw material to the finished article, many intricate questions of costing arise. By "costing" is meant the process of arriving at the cost of the article in order to determine at what price it can be sold. As invariably such businesses manufacture to order and not wholly for stock, it is important that the manufacturer should be in a position to estimate the cost of an order and to quote a price sufficient to give him a profit and meet the cost of manufacture.

Generally speaking, the cost of an article consists of:—

1. Materials.
2. Labour.
3. Proportion of Expenses.

Having ascertained these factors, the profit is added and the sale price determined.

To take a very simple illustration:—

John Mann is in business as a cabinet-maker and confines his business to making chairs, all of which are of one special kind. After a year's manufacturing he finds that he has used material costing .. £1,000				
Paid in wages	200			
Paid in factory rent and taxes	80			
Factory lighting and power	60			
General office expenses, including salaries of staff, printing and stationery, &c.	100			
Total cost				£1,440
Sales during year				1,800
Profit				£360

Number of chairs made during year, 2,880.

Let it be assumed that at the end of the year his whole stock of chairs made—2,880—has been sold and that there was no material in stock nor finished chairs on hand. In this simple case it is seen that the cost of a chair is

10s. and the selling price is 12s. 6d. The cost, including expenses, being 10s., and the selling price being 12s. 6d., the net profit on each chair is 2s. 6d., or 20 per cent. of the selling price. From the figures of cost the manufacturer secures some very important data.

The 2,880 chairs cost in material and labour £1,200, or 8s. 4d. per chair.

His factory charges cost £140, or approximately 11½d. per chair.

His other expenses amount to £100, or approximately 8½d. per chair.

These calculations made by the manufacturer on his first year's trading would enable him to go forward in confidence to estimate for future orders. Knowing that his costs are 10s. per chair, he can estimate to supply the article at a figure over 10s. and know that he will be making a profit. If during the subsequent year either the cost of material or wages go up, or the expenses increase, he must adjust his costs accordingly. Now 2,880 was the number of chairs stated to have been manufactured during the year, but the manufacturer might see that with very little extra cost in rent and power, many more could be turned out. He would, therefore, in endeavouring to secure orders and competing against others, make allowance for this. Although perhaps he cannot extend his factory, he keeps in view in quoting a price for an order that similar manufacturers have such facilities and by the costs being spread over a larger turnover, the cost per chair would be reduced.

In the above example the manufacturer will have kept records of the quantity of material used under different heads:—

1. Timber.
2. Varnish.
3. Glue.
4. Sundries such as sandpaper, &c.

By dividing the quantities used by the number of chairs made, he arrives at the quantity per chair, and knowing the price of the material, he arrives at the cost per each separate material used. Again, from the wages paid he arrives at the cost of labour in each chair. Similarly his factory costs and office expenses can be reduced to cost per chair. With such data before him he can adjust his price for a chair should costs rise or fall.

Such being a simple example of what "costing" means, it will be seen that it is essential to keep records properly arranged for statistical purposes.

In the example given, the Purchases Book would show purchases of timber, varnish, glue and sundries in separate columns, and other records, called Store Accounts, would be kept to record quantities. Reference to these accounts will be made subsequently.

The Cash Book would distinguish between factory costs and office expenses.

A record of chairs completed would also be kept.

Summarising what has been stated above, it may be put thus:—

Financial Records.—The books of account are the usual ones, care being taken to rule the Purchases Book to distinguish between different kinds of material purchased. The Cash Book must be ruled to classify expenses between Factory Costs and Office Costs.

Store Records.—In order to keep a check on materials coming into the factory it is necessary to have some record of quantities. This is attained by keeping what are called Store Accounts. A book is suitably ruled to show quantities of material received into the factory

The question may now very naturally be asked—Why is it necessary to keep Cost Accounts at all? Many, but they are decreasing in number, jog along making articles for sale and never keep any records of costs at all. They work on rule-of-thumb methods. So long as their profit and loss account brings out a profit, they never think of getting behind this account to investigate where and how the profit has been made. They can't tell the cost of the component parts in the process of manufacture. It is not surprising that this class of manufacturer very soon finds himself left behind in competition with the more up-to-date manufacturer who keeps cost records. Cost Accounts are absolutely essential to show how much profit or loss has been made on certain orders placed with a concern whose business consists of carrying out to order certain specific pieces of work. Take, for example, a general engineer. He gets all kinds of jobs to execute and before he gets them he has to give an estimate. If no cost records have been kept such an engineer could not safely estimate for any job, for he would be estimating in the dark and might quote a price which would result in a loss. If, however, he has cost records showing what it takes to run his engineering shop, cost per hour of running certain machines, his indirect expenses expressed as a percentage on wages spent, and other data, he can,

making allowance for the future trend of prices, estimate on the experience of the past as shown in his cost records.

Such being a general description of what is meant by Cost Accounts and the necessity for having some system in force in all manufacturing businesses, it would be impossible in the time at my disposal to enter into the details of all the different classes of manufacturers and processes where it is absolutely essential that cost records be kept. What follows, however, may be taken as fingerposts leading to the more specific cases when the details of a business are before one.

Let us now consider the matter under two general heads :—

1. Manufacturers of one or more specific articles.
2. Making goods to contract.

1. MANUFACTURERS OF ONE OR MORE SPECIFIC ARTICLES.

Like the case of the cabinet-maker, where one article alone is manufactured, the cost accounts are simple indeed. The financial books, "Purchases" and "Cash" books, should be so ruled as to divide the expenditure under the required headings, so that with a record of articles produced, the cost of each part of the article can be ascertained. An example of this class of manufacturer would be a golf ball maker or a golf club maker. The chief object is to ascertain the cost per article or a given quantity of articles, such as the cost per dozen of golf balls manufactured. Where more than one specific article is manufactured and the same raw material is used in each, care will require to be taken to apportion out the material between the two or more articles being made. The wages spent on each will require to be recorded separately. The oncosts will be apportioned between the two or more classes of articles so that the cost for each is obtainable. The system of apportioning the oncosts may give rise to difficult questions, but a basis of allocation can usually be agreed on. As an illustration, take the case of a manufacturer of golf balls as well as golf clubs. The processes in the manufacture may all be carried out in one building. The rent of the building is a direct charge on the goods, and by apportioning the rent on the basis of "floor space used" in each process, the proportion for rent to be charged would be obtained. Again, take the item of "Power." If the energy is supplied by direct means, such as from the local authority, the accounts rendered for "Power supplied" will give the cost. How, then, is this item to be charged against each process? The amount may be apportioned according to the number of machines used, but that would be an unfair allocation if some machines were in more constant use than others. Experience would show the relative activities of the machines, and if a record be kept of the number of hours which each machine has been running over a certain period and regard paid to the relative strength of the machines, a basis of apportionment of the total cost for power would be available. The consumption by each machine is what is required and that can be obtained if data is available of the number of hours run and the relative power of the machines. If a machine is used in common for all processes in addition to machines for the specific articles being made, here again the cost of the "common" machine must be apportioned. The works manager's salary would also be apportioned according to the estimated time he devotes to each process.

In apportioning direct charges, it is a question of deciding in each individual case the best basis.

With regard to allocating indirect charges over the different classes of goods manufactured, it should be kept in mind that indirect charges being principally of the nature of distribution expenses, some basis having a con-

nection with the "sales" of each article might be the best. If there are twice as many of one article sold compared with the other, then the indirect charges would be apportioned as two is to one. In other words, indirect charges can generally be apportioned according to the "sales" of each article in the previous year. While this is stated as a general proposition, it may be more accurate in other cases to apportion the indirect expenses according to the "cost" of the articles in material, wages, and direct charges, thereby making "cost" as the basis of apportionment and not "sales." This, again, is an arguable point and each case should be investigated on its merits. If the sales, for example, include a different percentage of profit on the different articles, and the cash value of the sales is thereby not in proportion to the quantity turned over, it may be preferable to use the "cost" basis. These and other questions must be looked into before deciding on the basis of apportioning "indirect charges."

It is very important to know the cost per article of each class of goods being manufactured, as by that means the article which carries the most profit can be developed, leaving the other article as a side line.

To illustrate the above points, take the following data taken from a manufacturer's books where two classes of article, A and B, are being made :—

	Class A.	Class B.
Materials used	£2,000	£4,200
Wages	200	300
Direct Charges	100	150
Indirect Charges	£400	
Number of articles manufactured	3,000	5,000
Sales	£5,000	£8,000

Putting these figures in the form of a Profit and Loss Account, the result of the year's working would be shown to be a profit of £5,650, as follows :—

PROFIT AND LOSS.			
Materials used ..	£6,200	Sales	£13,000
Wages	500		
Direct Charges ..	250		
Indirect Charges ..	400		
Profit	5,650		
	£13,000		£13,000

From the figures given it is also possible to arrive at the *Gross Profit* on each article, thus :—

Class A TRADING.			
Materials used ..	£2,000	Sales	£5,000
Wages	200		
Direct Charges ..	100		
	£2,300		
Profit	2,700		
	£5,000		£5,000
Class B TRADING.			
Materials used ..	£4,200	Sales	£8,000
Wages	300		
Direct Charges ..	150		
	£4,650		
Profit	3,350		
	£8,000		£8,000

The results are therefore :—

Gross Profit on Class A	£2,700
Gross Profit on Class B	3,850
Total Gross Profit	£6,050
Less Indirect Charges	400
Net Profit	£5,650

The manufacturer might be quite content with this result, knowing that Class A article costs £2,300 and sells at £5,000, while Class B, costing £4,650, sells at £8,000. Against these profits the expenses amount to £400. But he would arrive at further results, thus :—

Initial Cost of Article A $\frac{£2,300}{3,000} = 15/4$ per article.

Initial Cost of Article B $\frac{£4,650}{5,000} = 18/7$ per article.

Selling Price of Article A $= \frac{£5,000}{3,000} = £1 \ 13s. \ 4d.$

Selling Price of Article B $= \frac{£8,000}{5,000} = £1 \ 12s.$

Profit on Article A, exclusive of Indirect Expenses = 18s. (£1 18s. 4d. less 15s. 4d.).

Profit on Article B, exclusive of Indirect Expenses = 18s. 5d. (82s. less 18s. 7d.).

Manifestly the manufacture of Article A is the best paying proposition, and as the indirect charges amount only to £400 it may be thought unnecessary to trouble apportioning these over A and B, as the result would not very materially be affected. Nevertheless, to get at the *net profit* on each article the £400 could be apportioned in three different ways :—

1st: According to number of articles manufactured, that is—

3,000 : 5,000, or £150 to Article A and £250 to Article B.

2nd: According to Cost, that is—

2,300 : 4,650, or £132 to Article A and £268 to Article B.

3rd: According to Sales, that is—

5,000 : 8,000, or £154 to Article A and £246 to Article B.

Summary of apportioning £400 Indirect Charges.

	A.	B.
Method 1	£150	£250
Method 2	132	268
Method 3	154	246

It will be seen that Method 1 corresponds very closely to Method 3, and that Method 2 varies considerably from both. Which method, then, should be adopted? Before adopting any, investigation would be made as to the number of customers dealing in each article, and if the ratio of the customers dealing in Article A to customers dealing in Article B approximately agreed with the ratio of the articles turned out or the sales, then either Method 1 or 3 would be adopted. If, on the other hand, most of the sales of Article B were to a few customers, the indirect charges might be looked upon as being principally incurred in the ordering of goods and dealing with wages, and consequently the cost basis (Method 2) would be adopted.

The indirect expenses apportioned under each method gives this result :—

	Class A. per Article.	Class B. per Article.
Method 1 ..	1/-	1/-
Method 2 ..	10½	10½
Method 3 ..	1/0½	11½

The total unit cost of each class of article and the profit thereon is therefore :—

	Material, Wages and Direct Charges	Method 3. Indirect Charges	Total Cost	Sale Price	Profit
Class A	15/4	1/0½	16/4½	33/4	17/0½
Class B	18/7	11½	19/6½	32/-	12/5½

As already pointed out, the indirect expenses in this example represent so small a proportion of the total cost that it would not make much difference whichever method were adopted in making the apportionment, but in view of the fact that the figure of sales of Article A contains a very much greater ratio of profit than B, the cost figure is suggested as the better and more stable basis of apportioning the indirect charges.

The above example illustrates the kind of problems which arise on costing, but it also illustrates how the data can be made use of if only records are kept with a distinct object in view, the object being with this class of manufacturer to ascertain the cost per article.

2. MAKING GOODS TO CONTRACT.

Coming now to a different class of business, namely, that of a manufacturer who supplies goods to order. Each order, although containing similar component parts of material and wages, may vary considerably in the ratio of the material to the wages. For example, one contract may cost in materials £1,000, and to bring it to completion £500 in wages may be spent on it, while another contract may cost the same amount in materials but requires £1,200 in wages to be spent on it before completion. In such cases it is evident that the principal factor which would govern any apportioning of oncosts should be *time*.

By way of example, let us follow the procedure in a factory where work is done on contract.

(1) Materials for Contracts.

All material bought direct for Contracts would be passed through the Purchases Book in the usual way and credited from there to the individual creditors. Stores bought for general use on contracts and for upkeep of factory purposes would also be passed through the Purchases Book. A columnar Purchases Book in some such form as the following would be used :—

Date	Name of Creditor	Cost Ledger Folio	Purchases for Contracts	Stores	Crs. Ledger Folio	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			£ s. d.	£ s. d.		£ s. d.

Columns (3) and (4). Where materials are purchased direct for a contract, the amount would be entered in Column (4) extended to Column (7), and from that latter column posted to the Creditors' Ledger, the ledger folio being inserted in Column (6). Cost Accounts are kept in a separate book, into which the value of the direct materials purchased would be entered under each contract. The

folio in this Cost Record would be entered in Column (3). The total of Column (4) would be debited to a Contracts Account in the General Ledger.

Column (5). All stores purchased would in the first instance be entered in Column (5) and extended to Column (7), from whence they would be posted to the Creditors' Ledger. The total of Column (5) would be debited to a Stores Account in the General Ledger, but in addition the details of the invoices for stores thus purchased would be classified in a Stores Ledger in quantities. For each class of store purchased, an account would be opened in the Stores Ledger and the quantity purchased entered on the debit or receipt side of that account. As stores are used on contracts requisition notes are issued on the storekeeper, and the quantities given out by him are entered up in the Store Accounts. If the stores are used directly on Contracts, the value of the stores issued is debited in the Cost Account for the contract. If the stores are for general use in running the factory and office, all such stores would be credited in the Store Accounts as regards quantity, and when valued would be entered in the General Ledger by crediting Stores Account and debiting other nominal accounts headed Factory Stores and Office Stores. The entering of the value of general stores in the General Ledger is not absolutely necessary, unless classification between Factory and Office Stores is desired. Stores used on contracts would be valued and credited to the Stores Account in the General Ledger and debited to Contracts Account.

(2) Wages Spent on Contracts.

In every manufacturer's business the workmen keep a record of the time spent on each job. Each contract is given a number and the workmen keep a time sheet or time book in which they record the nature of the labour and the duration of it. At the end of the week these time sheets are used for "making up" the amount of wages due to the workmen and at the same time are analysed out to show the cost in wages spent on each contract. The wages bill for each week would therefore show :—

- (1) Wages spent direct on Contracts.
- (2) Wages spent on general factory work, such as Labourers' Wages where the amount cannot be definitely allocated to any specific contract.
- (3) Wages or Salaries of General Works Manager, Foreman and Supervisors, Storekeeper, &c.
- (4) Salaries of Office Staff.

The total wages and salaries paid would be entered in the Cash Book and from there debited to a Wages and Salaries Account in the General Ledger. From the Wages Bill the amount spent in wages on each contract would be ascertained, and these amounts would be charged up to the Cost Accounts. The total each week or month so charged up would be debited to the Contracts Account in the General Ledger and credited to the Wages and Salaries Account. Whatever balance is left on the Wages and Salaries Account would represent (2), (3) and (4) of analysis given above.

(3) Factory Costs.

In addition to the supervision expenses of Works Manager, Foremen and the wages of labourers, other expenses in running the factory consist of rent and taxes, electric lighting and power, depreciation of machinery, and stores for general upkeep. Ledger Accounts in the General Ledger are kept for such expenditure and the allocation of these over the Contracts must be made. The basis of allocating these charges will be discussed later when dealing with a practical example in figures.

Generally speaking, each contract should be charged up a proportion depending upon the time each contract took to get to completion in the factory.

(4) Indirect Charges or Expenses of Administration.

All other expenses come under this category known as Indirect Charges. These consist of Office Rent and Taxes, Office Salaries, Stationery and Printing, Travellers' Salaries, Travelling Expenses, Discount, &c.

If it is desired to get at the net profit on each contract, these expenses will require to be allocated to the Contracts as well as the direct charges. Here, again, is the problem of determining upon some basis of charging up to each contract a proportion of such charges. Generally stated, it will be seen that the cost of a contract consists of :—

1. Materials purchased direct for Contract.
2. Stores used on Contracts.
3. Wages of Workmen.
4. Factory Costs, proportion of.
5. Indirect Charges, proportion of.

In a manufacturing business, in addition to the financial records, there must therefore be available data or other records to disclose the profit or loss on each contract. These latter records are called Cost Accounts. They are usually kept quite apart from the financial records. Although possible to reconcile with the results as brought out by the financial accounts, it will be preferable meantime to consider the Cost Records as quite distinct from the financial. The reconciliation of the two will be referred to subsequently.

EXAMPLE OF THE FOREGOING PROCEDURE IN RECORDING COSTS IN A MANUFACTURER'S BUSINESS, ILLUSTRATED BY FIGURES.

Let it be assumed that the class of business is such that raw materials are bought, wages expended thereon, and that the work passes through a factory or workshop. Contracts A, B and C are being worked on for the year and the financial records are of the usual type—Cash Book, Purchases Book, Sales Book, and Ledgers. The financial books are balanced on December 31st, 1930, and the following is the Trial Balance :—

Materials Purchased for Contracts	£9,000	
General Stores Purchased	200	
Wages and Salaries Account	2,800	
Rent and Taxes of Workshop	200	
Lighting, Heating and Power in Workshop	380	
Office Expenses	500	
Sales		£16,000
Creditors		1,200
Customers	6,200	
Cash	120	
Capital		2,200
	<u>£19,400</u>	<u>£19,400</u>

The stocktaking at December 31st, 1930, shows :—

Stores on hand	£10
Contract C, in course of completion—	
Materials	£800
Wages spent on same	200
Proportion of Factory On-cost	65
Proportion of Indirect Charges	50
	<u>£1,115</u>

Preparing a Profit and Loss Account from above Trial Balance and details of stocktaking, the result of the year's working is a profit of £4,045, as follows :—

PROFIT AND LOSS ACCOUNT.

To Materials ..	£9,000	By Sales ..	£16,000
" Stores used ..	190	" Stock at December 31st,	
" Wages ..	2,800	1930 :—	
" Rent and Taxes of Workshop	200	Work in progress	£1,115
" Lighting, &c., of Workshop ..	380		1,115
" Office Expenses	500		
" Profit ..	4,045		
	<u>£17,115</u>		<u>£17,115</u>

The Balance Sheet would be as follows :—

LIABILITIES.		ASSETS.	
Creditors	£1,200	Customers ..	£6,200
Capital	6,245	Cash	120
		Stores	10
		Work in progress	1,115
	<hr/>		<hr/>
	£7,445		£7,445

When the above Profit and Loss Account is considered, it only shows what the final result of the year's working has been. It does not show *how* that profit of £4,045 has arisen. How much was made on Contract A and how much was made on Contract B? It should be noted at this stage that no credit has been taken for a proportion of profit on Contract C. It is valued at the Cost of materials and labour plus a proportion of oncosts.

The Cost Accounts for Contracts A, B and C are shown on page 63.

APPORTIONMENT OF FACTORY ONCOSTS AND INDIRECT EXPENSES.

From the three Cost Accounts referred to it will be seen that 32.8 per cent. on wages has been added to each contract in respect of Factory Oncosts. The Factory Oncosts per the Trial Balance are :—

Rent and Taxes of Workshop ..	£200
Lighting, &c., of Workshop ..	380
	<u>£580</u>

The Wages and Salaries Account shows £2,800 at its debit, but of this £2,500 has been charged to Contracts, leaving £300 to be accounted for. It has been assumed that £200 of this represents factory supervision and general labour, while the £100 is for office salaries. Adding the £200 for factory supervision to the £580 shown above gives £780, but on an analysis of the Stores Account it would be found that of the £200 stores purchased £150 has been charged to Contracts and £10 remains on hand, so that £40 has been absorbed in general use. The total Factory Oncost is therefore £820 (£580 + £200 + £40), while the Indirect Expenses are the £500 shown in Trial Balance and the £100 Salaries referred to above, in all £900.

The Cost Accounts for Contracts A, B and C have been written up so far as material and labour is concerned as the work has been proceeding. On completion of the Contract it is desirable to know what profit has been made on it. This necessitates charging to the Contract a proportion of Factory Oncosts and Direct Expenses. As already pointed out, the basis of apportioning these oncosts is a question for decision when the facts of each case are before one. In the present business the class of

labour on each contract and rate of wages paid are similar, and as time is the chief factor in determining the amount of factory oncosts absorbed, the wages is taken as the basis of apportioning the factory oncosts. Where rates of wages paid do not differ materially on different contracts, the amount of wages spent may be taken as a good index of the time. Where the rates per hour paid as wages vary on different contracts, the hours worked will be used for apportioning purposes, the cash figure for wages being of course charged to the contract as part of the cost. The total wages spent on Contracts during 1930 was £2,500, and as the factory oncosts amount to £820, 32.8 per cent. of the wages represents factory oncost. This percentage is added to Contracts A, B and C, according to the amount of wages spent on each.

The indirect expenses have been apportioned on the amount spent in *materials and wages*. £600 on £11,650 (Contract A £6,300, Contract B £4,350, and Contract C £1,000) represents 5.15 per cent. The indirect expenses being incurred in ordering material, preparing wage bills and general office expenses, it has been decided in this case to apportion on the materials and wages basis. If the class of material purchased for contracts differs in value to any extent, although the wages spent is a constant factor, the indirect expenses might be apportioned on the wages basis by itself, leaving the value of materials out of account altogether. The point to be attained is to so apportion all expenses over the Contracts as to secure that each shall be charged an equitable share taking all circumstances into account.

RESULT OBTAINED BY COST ACCOUNTS BEING KEPT.

By keeping Cost Accounts apart from the financial books the manufacturer is enabled to see the profit or loss on each contract. If the system of allocating oncosts is approximately correct, reliance can be put on the results brought out and use made of them in future estimating.

In the short example given above the results are *absolutely* correct because of the fact that the percentage of Oncosts charged up to the contracts gives in total the actual amounts spent per the financial records. For example, the Factory Oncosts amount to £820, and this has been charged :—

Contract A ..	£394
" B ..	361
" C ..	65
	<u>£820</u>

As will readily be appreciated, this result does not always obtain in practice, as during a year the rates of wages paid may vary, the cost of materials may also show fluctuations, and a percentage of oncost charged during one month may be hopelessly out if charged during the next. Where substantial fluctuations take place in any of the factors upon which oncosts are based or where the amount of oncosts themselves vary, adjustments on the percentages are made from time to time. The Cost Accounts when analysed do not always therefore bring out the same total of profit as the financial books, but should be approximately the same. If any great discrepancy between the two is revealed, the difference may be due to an error or errors in the Cost Records themselves. A mistake in summation of £1,000 may occur in the Cost Records which would manifestly throw out the reconciliation. To prove the Cost Records to be *arithmetically* correct necessitates such records being made part of the general book-keeping system. This ideal system is not very often found to work in practice, but to appreciate the system there is given

below the accounts in the General Ledger for the figures in the example of Contracts A, B and C referred to previously.

GENERAL LEDGER.

CONTRACTS ACCOUNT.

To Materials Purchased per Purchases Book ..	£9,000	By Sales ..	£16,000
" Stores used ..	150	" Work in hand ..	1,115
" Wages ..	2,500		
" Factory Oncost ..	820		
" Indirect Expenses (Office Expenses A/c) ..	600		
" Profit ..	4,045		

£17,115

£17,115

To Work in hand .. £1,115

WAGES AND SALARIES.

To Cash ..	£2,800	By Contracts ..	£2,500
		" Factory Oncost ..	200
		" Office Expenses ..	100

£2,800

£2,800

RENT AND TAXES—WORKSHOP.

To Cash ..	£200	By Factory Oncost ..	£200
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LIGHTING, &c.—WORKSHOP.

To Cash ..	£380	By Factory Oncost ..	£380
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OFFICE EXPENSES (INDIRECT CHARGES).

To Cash ..	£500	By Charged to Contracts ..	£600
" Wages and Salaries ..	100		

£600

£600

FACTORY ONCOST.

To Wages and Salaries ..	£200	By Charged to Contracts ..	£820
" Rent and Taxes ..	200		
" Lighting, &c. ..	380		
" Stores ..	40		

£820

£820

STORES ACCOUNT.

To Purchases per Purchases Book ..	£200	By Charged to Contracts ..	£150
		" Factory Oncost ..	40
		" Stores in hand ..	10

£200

£200

To Stores in hand .. £10

Under such a system the Cost Records would be kept as before, that is, accounts for each contract. At the end of each month, however, there would also be a monthly record of Oncosts charged up during the month in some such form as the following :—

ONCOST CHARGE BOOK.

Contract Number.	Folio in Cost Record.	Factory Oncost.	Indirect Expenses.
A		£394	£324
B		361	226
C		65	50
		£820	£600
		(a)	(b)

Totals (a) and (b) would be credited in the Oncost Accounts appearing in the General Ledger and debited to the Contracts Account.

There would also be credited to the Wages and Salaries Account each week or month the total wages charged to Contracts.

The ordinary nominal accounts in the General Ledger are carried to two main accounts at the end of the year, namely, the Factory Oncost Account and the Indirect Charges Account. The monthly totals of the Oncost Charge Book having been credited to these two accounts, it follows that any balances left on the Factory Oncost Account and Indirect Expenses Account represent what has been undercharged or overcharged by way of percentage to the Contracts according as the balances are debit or credit. It may also mean that the actual expenditure has been in excess of the percentage charged to Contracts. These balances would be carried to the Profit and Loss Account in the General Ledger where the profit on Contracts would be credited. The Profit and Loss Account might be as follows :—

PROFIT AND LOSS ACCOUNT.

To Factory Oncosts ..	£ (b)	By Profit on Contracts Completed ..	£ (a)
" Undercharged to Contracts ..	£ (b)	" Indirect Expenses overcharged to Contracts ..	(c)

(a) This total would agree with the profits shown in the Cost Records when listed.

(b) The factory oncost for the subsequent year would be adjusted to rectify this undercharge.

(c) The Indirect Expenses for the subsequent year would be adjusted to rectify this overcharge.

Under such a system, the skeleton of which has been referred to above, the Cost Records are part of the general book-keeping, but it is doubtful whether the balancing results obtained compensate for the extra work involved in record keeping.

3. OTHER CLASSES OF MANUFACTURER.

In addition to the two main classes of manufacturer referred to up to the present, there are many other concerns where costing is carried out to a very high degree. For example, in the mining industry, the cost per ton is arrived at periodically, and in addition the intermediate costs of the different operations are shown.

Again, where many delicate operations are carried out by machinery in the course of manufacture, systems are devised where the cost per hour of running a machine is known and according to the length of time the article is on the machine, so is the cost arrived at by multiplying the time by the "machine rate."

THE INSTITUTE OF ARBITRATORS.

A luncheon was given by the Institute of Arbitrators at the Criterion Restaurant on October 14th, Mr. W. Woodbridge Biggs, President, in the chair. Among others present were:—Sir Ernest W. Moir (Vice-President of the Federation of Civil Engineers), Sir Illtyd Thomas, Sir Edward Davson, Mr. C. S. Wilson (London Court of Arbitration), Mr. J. B. Graham (Secretary, National Federation of Associated Paint, Colour and Varnish Manufacturers), Mr. A. G. Farmer (Secretary, National Federation of Furniture Trades), Mr. B. C. Avey (National Federation of Builders' Merchants), Major Richard Rigg, Mr. G. F. Carter, Mr. Horace Boot, Mr. W. H. Stoker, K.C., Mr. J. W. Cole, Mr. H. D. Searles-Wood, Mr. E. S. Underwood, Mr. L. V. Cockell, Mr. W. A. White, Mr. P. H. Wyatt, Major Abbott, Mr. A. Garden Pool, Mr. H. Levy, Mr. H. Button, Mr. E. Rogers, Mr. E. M. Leighton, Col. F. N. Falkner, Mr. C. C. Cannon, Mr. J. Stevenson, Mr. A. G. Cross, Mr. E. J. W. Hilder, Mr. J. R. W. Alexander, Mr. C. B. Hewitt, Mr. C. Woodward, Col. M. K. Matthews, and Mr. R. W. L. Clench (Secretary).

In the course of his Presidential Address on "Arbitration and the Business Man," Mr. Biggs said:—

Although the work of the Law Courts of this country deserves high praise for its standard of justice and method of ascertaining the truth in a dispute, the delay and cost of ordinary litigation frequently cause vexation and sometimes almost a denial or failure of justice. There is no doubt that delay and expense cause hardship both to those making and to those resisting claims. The plaintiff with a just cause of action finds that it is better to compromise even at a sacrifice than be kept waiting and put to expense, while the defendant with a good defence finds it better to pay than to have the worry and cost of litigation. Business men, who realise that all money spent in disputes is unproductive, constantly resort to arbitration with a view to securing speed and cheapness in arriving at a decision. But they also require that the decision shall be just and that it shall be arrived at after an impartial investigation of all the facts, in other words, that it shall be in the nature of a judicial decision. Moreover, if the decision is to be secure from interference by the Courts it is essential that the arbitrator should make his investigation and frame his award in a manner which does not conflict with the law; otherwise the defeated party may resort to the Courts and the delay and cost of litigation may follow and the arbitration prove abortive. This consideration makes it almost essential that the arbitrator shall not only act fairly, but that he shall have some knowledge of the law applicable to the conduct of arbitration.

In disputes involving technical matters, it is further desirable that the arbitrator should have some special knowledge of the particular trade or business or profession concerned, so that there need be no waste of time explaining technical terms or methods.

The business man seeking justice requires a tribunal that will act with speed and cheapness and efficiency. In the Courts he can get efficiency without speed or cheapness; from the untrained arbitrator he may get speed and cheapness, but without efficiency.

The Chairman of the London Court of Arbitration, at a luncheon given by the Institute to kindred bodies, welcomed the work of the Institute in preparing qualified arbitrators, and said that there was a crying need for men fit to fill the position, for whilst he believed that the vast majority of cases were satisfactorily adjudicated on, he feared lest as a knowledge of the rights of arbitration increased, discontented parties would use the second string

in their bow, all due to the fact of the arbitrator not having the necessary knowledge of form and order, and appeals to the Courts, at present rare, might become frequent.

The object of the Institute of Arbitrators is to provide a means of justice which is prompt, inexpensive and also efficient by offering to the business community the services of a body of men skilled in various technical branches of industry and commerce, who are also acquainted with the legal incidents of arbitration, and by insisting upon the prompt determination of disputes under the simplest rules of procedure involving small expense.

So it is the established policy of the Institute, firstly to ensure that its panel embody arbitrators expert and experienced in their specialist capacity, and, secondly, that they shall possess that knowledge of contracts, of arbitration, of evidence and procedure that they are able to deal with obstructive tactics and attain a result by their award equal to legally protected and expensive litigation and leave the parties satisfied that they have had equitable consideration.

No one will welcome more than the Institute such amendments of the 1889 Acts as have been recently proposed by the Committee of the House of Lords. It is an admitted fact that at present the necessary knowledge is more complicated than it need be.

The Institute assists members to keep in touch with variations in procedure by its practice arbitrations and other functions, whilst younger members who desire to become Associates must now take the written examination on these matters together with the oral, which shows up their characteristics.

We also welcome the recommendation suggested by the Bar Council in relation to the proposals for cheapening litigation, for many of these proposals will simplify our own procedure.

We must also accept the fact that whilst simpler procedure in litigation may result, as is suggested, in "rougher justice," so the "simplest form of arbitration" may not be so entirely satisfactory as the present complete procedure.

It will, however, give the business man what he wants, a sound decision on the facts with the minimum of trouble, and enable him to get on with his job again quickly.

CHARTERED INSTITUTE OF SECRETARIES.

Autumn Meeting.

The autumn meeting of the Institute will take place on Monday and Tuesday, November 23rd and 24th. On Monday the annual general meeting will be held at the Hall of the Institute, when the President will deliver his Presidential Address. On Tuesday the fortieth anniversary dinner will take place in Guildhall, preceded by a reception in the Art Gallery.

The President, Mr. Edward Wilshaw, and the Council specially ask members both in London and the country to support this gathering, where the company of many distinguished guests will include the Lord Mayor of London (Sir Maurice Jenks), the Lady Mayoress, and the Sheriffs.

Members are asked to do their best to support the President and the Council at this function, especially as it marks the fortieth anniversary of the foundation of the Institute in 1891.

District Societies of Incorporated Accountants.

BIRMINGHAM.

Syllabus of Lectures, 1931-32.

1931.

- Oct. 9th. "The Gold Standard," by Mr. C. Ralph Curtis, B.Sc., A.I.B., Chief Accountant, The British and Continental Bank. *Chairman*: Mr. T. Hannibal, F.S.A.A.
- Oct. 30th. "The Uses of Statistics in Manufacturing Businesses," by Prof. J. G. Smith, M.A., M.Comm., Dean of the Faculty of Commerce, Birmingham University. *Chairman*: The President. The Chartered Institute of Secretaries and the Chartered Accountants' Students' Society have been invited to this lecture, which will be held at the Chamber of Commerce, 95, New Street, Birmingham.
- Nov. 20th. "How Local Authorities' Accounts are Financed (Capital and Revenue Accounts)," by Mr. H. C. W. Wallond, A.S.A.A., A.I.M.T.A., Chief Accountant, City Treasurer's Department, Birmingham Corporation. *Chairman*: Mr. J. R. Johnson, F.S.A.A., City Treasurer.
- Dec. 11th. "Company Law," by Mr. C. R. Sales, LL.B. (Lond.), F.S.A.A. *Chairman*: Mr. E. T. Brown, F.S.A.A. This lecture will be held at Wolverhampton.

1932.

- Jan. 8th. Mock Meeting of Creditors of a Company. Arranged by the Students.
- Jan. 22nd. "Some Recent Income Tax Decisions," by Mr. P. Barnes, H.M. Inspector of Taxes. *Chairman*: The President.
- Feb. 3rd. "Secretarial Practice," by Mr. E. Westby-Nunn, B.A., LL.B. This lecture is by the invitation of the Chartered Secretaries Birmingham and District Society.
- Feb. 5th. Discussion on Past Examination Papers. *Chairman*: Mr. P. G. Stenbridge, F.S.A.A.
- Feb. 19th. "Estate Duties on Companies," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. *Chairman*: Mr. W. L. Hand, A.S.A.A.
- Mar. 4th. "Duties and Liabilities of Auditors," by Mr. W. H. Grainger, F.S.A.A. *Chairman*: Mr. Campbell. This lecture will be held at Wolverhampton.
- Mar. 16th. Mock Meeting of Shareholders. This is by invitation of the Chartered Secretaries' Birmingham and District Society.
- Mar. 18th. "Current Financial News," by Mr. A. P. Bardell, F.S.A.A. *Chairman*: Mr. T. Harold Platts, F.S.A.A.
- May 28th. Society Outing. Details to be arranged later.

Lectures will commence at 6.30 p.m., and be held at the Society's Room and Library, 126, Colmore Row, Birmingham, unless otherwise notified.

LEICESTER.

Syllabus of Lectures, 1931-32.

(Held at the King's Restaurant, Belvoir Street, Leicester.)

1931.

- Oct. 20th. "Professional Etiquette," by Mr. Walter Holman, F.S.A.A.
- Nov. 3rd. "The Legal Avoidance of Taxation," by Mr. A. W. Rawlinson, F.C.A.
- Nov. 24th. "Executorship Accounts and Apportionments," by Mr. W. H. Grainger, F.S.A.A.
- Dec. 15th. "The Recent Fall in Prices and its Significance," by Professor J. H. Jones, M.A., Professor of Economics, Leeds University.

1932.

- Jan. 26th. "Statistics and their Service to Management," by Mr. A. G. H. Dent, F.S.S., F.R.Econ.S., Chairman, Business Research and Management Association.
- Feb. 23rd. "The Accountancy Provisions of the Companies Act, 1929," by Mr. C. A. Sales, LL.B. (Lond.), F.S.A.A.
- Mar. 15th. "Equity and its Importance to the Accountant," by Mr. E. Westby-Nunn, B.A., LL.B.
- Mar. 30th. "The London Money Market," by Mr. A. S. Wade, City Editor, *Evening Standard*.

(Held at Nicholls, The Drapery, Northampton.)

1931.

- Nov. 2nd. "The Legal Avoidance of Taxation," by Mr. A. W. Rawlinson, F.C.A.
- Nov. 23rd. "Executorship Accounts and Apportionments," by Mr. W. H. Grainger, F.S.A.A.

1932.

- Feb. 22nd. "The Accountancy Provisions of the Companies Act, 1929," by Mr. C. A. Sales, LL.B. (Lond.), F.S.A.A.
- Mar. 14th. "Equity and its Importance to the Accountant," by Mr. E. Westby-Nunn, B.A., LL.B.

MANCHESTER.

(STUDENTS' SECTION.)

Syllabus of Lectures, 1931-32.

1931.

- Oct. 9th. General Meeting, followed by Mock Shareholders' Meeting.
- Oct. 30th. "Tax Points for Examinees," by Mr. L. Wheildon.
- Nov. 18th. Papers by Students.
- Nov. 27th. "Modern Industry: (a) The Growth of Modern Industry; (b) Some Features of Modern Industry," by Mr. J. Maddock, A.S.A.A., F.R.Econ.S.
- Dec. 16th. "The Verification of Securities," by Mr. R. Bibby, A.C.A. (Northern Director of the British College of Accountancy, Limited).

1932.

- Jan. 13th. "Revision of the November Examination Papers," by Mr. W. Pickles, B.Com., F.C.A., A.S.A.A. (Northern Director, Messrs. H. Foulks Lynch, Limited).

(Model solutions to the more difficult questions will be given out at the meeting.)

- Jan. 29th. "Cost Accounts," by Mr. R. P. Anderson, A.C.A. (Manager, Manchester Branch, Metropolitan College, Limited, St. Albans).
- Feb. 10th. "The Functions of a Bank," by Mr. A. Taylor, B.Com., Cert. A.I.B., F.R.Econ.S.
- Feb. 26th. The Prize Winning Essays will be read.
- Mar. 11th. Joint Debate with the Manchester and District Branch of the Institute of Cost and Works Accountants (Students' Society).
- Mar. 18th. "The Conversion of a Business to a Limited Company," by Mr. Halvor Piggott, F.S.A.A.
- April 13th. General Meeting, followed by paper by Mr. M. Diamond, LL.B., Barrister-at-Law.

Meetings will be held in The Sale Room, Manchester Estate Exchange, 47, Fountain Street, Manchester, commencing at 6.15 p.m., except the General Meetings on October 9th, 1931, and April 13th, 1932, which will commence at 6 p.m.

NEWCASTLE-ON-TYNE.

(MIDDLESBROUGH STUDENTS' SECTION.)

Syllabus of Lectures, 1931-32.

- 1931.
- Oct. 14th. "Local Authority Finance and Accounts," by Mr. R. Sutcliffe, F.S.A.A., Borough Treasurer of Middlesbrough. *Chairman*: Mr. C. P. Barrowcliff, F.S.A.A.
- Oct. 28th. Mock Meeting of Creditors. Arranged by Mr. C. P. Barrowcliff, F.S.A.A.
- Nov. 11th. "Income Tax," by Mr. W. J. Lofthouse, H.M. Inspector of Taxes. *Chairman*: Mr. R. Sutcliffe, F.S.A.A.
- Nov. 25th. "Bankruptcy," by Mr. T. G. Sparrow, Deputy Official Receiver. *Chairman*: Mr. T. R. G. Rowland, F.S.A.A.
- Dec. 9th. Mock Income Tax Appeal. Arranged by Mr. C. L. Hamer, F.S.A.A.
- 1932.
- Jan. 27th. "Banking," by Mr. A. H. Oates, Midland Bank, Limited. *Chairman*: Mr. C. L. Hamer, F.S.A.A.
- Feb. 10th. "Internal Check," by Mr. C. L. Hamer, F.S.A.A., F.C.A. *Chairman*: Mr. C. P. Barrowcliff, F.S.A.A.
- Feb. 24th. "Accountancy and the Administration of Industry," by Mr. S. A. Sadler Forster, F.C.A. *Chairman*: Mr. T. R. G. Rowland, F.S.A.A.
- Mar. 9th. "Limited Companies and the Accountant," by Mr. C. P. Barrowcliff, F.S.A.A. *Chairman*: Mr. R. Sutcliffe, F.S.A.A.
- Mar. 23rd. Discussion. (Subject to be arranged later.)

The lectures will be held at Hinton's Café, Corporation Road, Middlesbrough, at 7 p.m.

SHEFFIELD.

(STUDENTS' SECTION.)

Syllabus of Lectures, 1931-32.

- 1931.
- Oct. 16th. Students' Society Dance.
- Oct. 30th. "Economics and Statistics," by Mr. C. L. Lawton, A.C.A.; Y.M.C.A., Fargate.
- Oct. 31st. "Executorship Accounts and Auditing," by Mr. C. L. Lawton, A.C.A.; Y.M.C.A., Fargate, at 10 a.m.
- Nov. 18th. "Typical Examination Questions (Society Examinations)," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.; Y.M.C.A., Fargate.
- Nov. 14th. "Auditing," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.; Y.M.C.A., Fargate, at 10 a.m.
- Nov. 23rd. "The Recent Fall in Prices and its Significance," by Prof. J. H. Jones, M.A.; Cutlers' Hall.
- Dec. — Bridge Drive and Supper. Date and place to be announced later.
- 1932.
- Jan. 11th. "Land Values, Taxation, Rating and Betterment," by Mr. E. Storry Deans, K.C.; Cutlers' Hall.
- Feb. 8th. "The Accountant as an Aid to Industry," by Mr. E. Cassleton Elliott, F.S.A.A. (Vice-President of the Society); Cutlers' Hall.
- Feb. 23rd. Debate with Bradford Society; at Bradford.
- March — "World Economics," by Sir Arthur Balfour, Bart. Date and place to be announced later.

Meetings are held at 6.30 p.m. unless otherwise indicated.

The dance held on October 16th—the first social function organised by the Students' Society since the formation of a separate Committee of Students—proved very successful. About 100 guests were present.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

The first of the series of lectures arranged for the session 1931-32 was delivered on October 15th by Mr. John Allcock, F.S.A.A., the City Treasurer and Controller, on "Municipal Accounts." The chair was occupied by Mr. K. V. Stephens, A.S.A.A., and there was an excellent attendance. The Chairman extended hearty congratulations to Mr. Allcock on his election as President of the District Society.

Mr. Allcock explained at some length the preparation of the City's estimates for rates. He then dealt with the annual abstract of accounts, of which he had been good enough to supply copies for reference. Special reference was made to the extracts from the Treasurer's report and the diagrams. Mr. Allcock expressed the view that as the Corporation is really in the position of trustee for the ratepayers, the least it can do is to tell the ratepayers once a year in general terms what has become of the money with which it has been entrusted. In addition to the annual accounts, a complete estimate of prime cost accounts of the public works department is kept by the Treasurer.

An animated discussion followed. The meeting closed with a cordial vote of thanks to Mr. Allcock for his helpful talk and for the keen interest he continues to take in the students' activities.

Syllabus of Lectures, 1931-32.

1931.

- Oct. 7th. "Local Taxation—Its Incidence and Application," by Mr. John Allcock, F.S.A.A., City Treasurer and Controller; at Cardiff.
- Oct. 15th. "A Talk on Municipal Accounts," by Mr. John Allcock, F.S.A.A., City Treasurer and Controller; at Cardiff.
- Oct. 28th. "The London Money Market and Some Aspects of the Gold Standard," by Mr. A. E. Pugh, F.S.A.A., F.I.S.A., F.C.I.S., F.R.Econ.S.; at Newport.
- Nov. 18th. "Taxation as an Economic Factor," by Mr. W. J. Back, A.S.A.A., F.R.Econ.S.; at Newport.
- Nov. 26th. Internal Debate: "That Rationalisation is a Temporary Remedy where Socialism is the True Cure"; at Cardiff.
- Dec. 11th. "Recent Income Tax Legislation," by Mr. A. Blackburn, A.S.A.A.; at Newport.

1932.

- Jan. 7th. Joint Debate, Cardiff and Newport Students; at Cardiff.
- Jan. 12th. "Nationalisation of the Banks," by Mr. J. C. Rea-Price, City Editor *News-Chronicle* (Joint Lecture with Chartered Institute of Secretaries); at Cardiff.
- Jan. 28th. Lecturettes by Members:—"Audits under the Friendly Societies Acts," by Mr. E. Ewart Pearce, A.S.A.A.; "Economic Progress in Relation to Standard of Living," by Mr. K. S. Williams; "Preliminaries to Commencement of Audit," by Mr. W. I. Rodda, A.S.A.A.; at Cardiff.
- Feb. 19th. "Some Notes on Auditing," by Mr. T. H. Trump, A.S.A.A.; at Newport.
- Feb. 25th. "Drapery Accounts," by Mr. D. Bernard Morgan; at Cardiff.
- Mar. 16th. "Some Wider Phases of Auditing," by Mr. H. F. Hallam, A.S.A.A.; at Newport.
- Mar. 31st. Mock Company Meeting; at Cardiff.

The annual dinner will be held at the Whitehall Rooms, Park Hotel, Cardiff, on a date in April, 1932, to be announced later.

Meetings in connection with the Cardiff Students' Prize Essay Scheme will be held on October 8th, 20th, November 12th, December 10th, 1931, and January 14th, February 11th, and March 10th, 1932.

Meetings in connection with the Newport Students' Prize Essay Scheme will be held on November 20th, 1931, and January 29th, March 11th and April 8th, 1932.

YORKSHIRE.

Syllabus of Lectures, 1931-32.

1931.

- Sept. 29th. "Duties and Liabilities of Auditors," by Mr. W. H. Grainger, F.S.A.A. Chairman: Mr. Arthur France, F.S.A.A. (Past President).

- Oct. 13th. "Income Tax," by Mr. Victor Walton, F.C.A. Chairman: Mr. Frederick Holliday, F.S.A.A. (Past President).
- Oct. 27th. "Anomalies in the Law Affecting Insolvencies," by Mr. David I. Sandelson, Solicitor. Chairman: Mr. Alfred Walton, F.S.A.A., F.C.A. (Past President).
- Nov. 10th. "County Court Procedure," by Mr. Walter Pullan, Registrar, County Court, Leeds. Chairman: Mr. William Gaunt, F.S.A.A.
- Nov. 24th. "Estate Duties in Relation to Limited Companies," by Mr. Stanley A. Spofforth, A.S.A.A. Chairman: Mr. R. E. Starkie, F.S.A.A.
- Dec. 8th. "Holding Companies' Consolidated Balance Sheets," by Mr. R. P. Anderson, A.C.A. Chairman: Mr. O. Coope, A.S.A.A.

1932.

- Jan. 19th. "Company Law, with Special Reference to Accountants," by Mr. C. Allison Sales, F.S.A.A., LL.B. Chairman: Mr. William Tate, F.S.A.A. (President 1931-32).
- Feb. 2nd. "Bankruptcy Law," by Mr. John H. Bromley, Solicitor. Chairman: Mr. Thomas Hayes, F.S.A.A.
- Feb. 16th. "Income Tax," by Mr. Ronald Staples (Editor of *Taxation*). Chairman: Mr. William Walker, F.S.A.A. (Past President).
- Mar. 1st. "The British Trade Situation," by Prof. J. H. Richardson, The University, Leeds. Chairman: Mr. A. Schofield, A.S.A.A.
- Mar. 15th. Joint Meeting with the Chartered Institute of Secretaries (West Yorkshire Branch) re "Limited Companies," at 7 p.m. Chairman: Mr. Frank Harrison, F.S.A.A., F.C.I.S.
- Mar. 29th. "The Candidate's View of Economics," by Mr. Arnold N. Shimmis, M.A., The University, Leeds. Chairman: Mr. T. Revell, F.S.A.A.

All lectures are held at the Hotel Metropole, King Street, Leeds, at 6.30 p.m., unless otherwise stated.

Reviews.

A Century of Journalism, 1831-1931. (*The "Sydney Morning Herald," and its record of Australian Life.*) Sydney: John Fairfax & Son, Limited, 38, Hunter Street.

There has been presented to the Society's library by Mr. Herbert Priestley, F.S.A.A., of Sydney, a handsome volume of 800 pages which, under the above title, gives the history of the *Sydney Morning Herald*, the first Australian journal to reach its centenary, which it did on April 18th last. The volume can be regarded as a history of Australia in general and of New South Wales in particular. It is profusely illustrated, and in addition there are twelve coloured plates, some of them after eminent artists, together with two maps. This work is worthy of a permanent place in the Society's library, and by its means much valuable and interesting information is available.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish Council.

A meeting of the Council of the Scottish Branch was held in Glasgow on 28th ult., Mr. J. Stewart Seggie, F.S.A.A., President of the Branch, in the chair. There were also present the following members of Council: Mr. Alexander Davidson (Peterhead), Mr. Robert T. Dunlop, Mr. W. Davidson Hall, Mr. J. Cradock Walker (Glasgow), Mr. Walter MacGregor (Edinburgh), Mr. J. T. Morrison (Coatbridge), Mr. E. Mortimer Brodie (Port Glasgow), Mr. W. L. Pattullo (Dundee), and Mr. James Paterson, Secretary of the Branch.

Apologies for absence were intimated from Mr. D. Hill Jack, Dr. John Bell, Mr. D. R. Matheson, LL.B., Mr. J. A. Gough, Mr. E. Hall Wight and Mr. P. G. Ritchie.

The Chairman welcomed Mr. Alexander Davidson, of Peterhead, as a new member of Council.

The results of the last examinations, as affecting the candidates from the Scottish Branch, were considered very satisfactory. It was agreed to award a prize from the W. D. Hall fund, to Mr. E. H. Harris (Glasgow), whose name appears in the "Honours" list.

Glasgow Students' Society.

The opening meeting of the session was held in the Regent Rooms, Glasgow, on Wednesday, the 28th ult., Mr. W. Davidson Hall, F.S.A.A., President of the Students' Society, occupied the chair. There was a large attendance.

In a few well chosen remarks, the Chairman introduced the Lecturer for the evening, Mr. J. Stewart Seggie, F.S.A.A., President of the Scottish Branch. His subject was, "Trust and Executorship Accounts." Mr. Seggie, who is the author of a standard book on the subject, treated it in an exhaustive and masterly manner, with particular reference to the Society's examinations. At the close a number of questions were asked and answered.

During the evening Mr. Seggie, after congratulating Mr. Edwin H. Harris, A.S.A.A. (Glasgow), on his success at the recent examination, presented him with the Society's Certificate of Merit, and also a number of standard accountancy books of reference as the W. D. Hall prize awarded by the Scottish Council to the best Scottish student of the year.

Problems of Business Ethics.

On 3rd ult., Sir Josiah Stamp declared open the Dundee School of Economics and Commerce, and delivered the inaugural address. Sir William Beveridge, President of the London School of Economics, and many other prominent representatives of professional education and business life in the district, were present.

Sir Josiah Stamp began his address by discussing the aims of a school of that nature, and, quoting from the report of the School of Commerce of North-Western University, Chicago, said that such a school was under obligation to develop in its students a desire to use their training in ways which were productive of socially desirable results. Many of the problems of business ethics were far from simple.

Even if the school solved no problems, said Sir Josiah, the fact that it made students acutely aware of the responsibilities of business was a great personal and social contribution.

After discussing various aspects of the problems, Sir Josiah said that society, whether run under a system of improved Capitalism or by Socialism, would in any case need a degree of self-abnegation and control in consumption of production which was beyond the present moral horizon. Capitalistic society needed a good deal better management under modern complex conditions than it had had, if it was to justify itself and endure. Socialistic society could not run for a week without a

much higher degree than was now available. But the community was gradually shaping its ideas towards the more worthy ideal of a great society. We must produce the Great Age, or see the collapse of the upward striving of our race. That great venture they had there commanded their lively hope and interest, for it fitted a key to the minds of the individual and of business, and made them worthy of our great society.

A golden key was presented to Sir Josiah Stamp by Lord Provost Johnston, who caused laughter by observing that it was with some diffidence that he produced gold to a director of the Bank of England.

Parliamentary Election.

The result of the Poll in the West Fife constituency was as follows:—

Milne, Charles (Cons.)	12,977
Adamson, W. (Lab.)	11,063
Gallacher, W. (Com.)	6,829

Conservative majority 1,914

It is of interest to Incorporated Accountants that Mr. Charles Milne, M.A., LL.B., is the Examiner to the Society in Scots Law.

Notes on Legal Cases.

COMPANY LAW.

Latchford Premier Cinema, Limited, v. Ennion.

Resignation of Director.

An offer made verbally to resign the office of director and accepted by a resolution at a general meeting is valid notwithstanding the Articles provide for notice in writing. (Ch. ; (1931) W.N., 204.)

EXECUTORSHIP LAW AND TRUSTS.

Goonewardene v. Goonewardene.

Codicil Confirming Will.

The effect of confirming a will by a codicil of later date is to make a disposition in the will operate in the same way as it would have operated if the words of the will had been contained in the codicil.

(P.C. ; (1931) A.C. 647.)

MISCELLANEOUS.

T. W. Bennett & Co. v. Smith.

Copy of Memorandum Given to Borrower.

The copy of the memorandum required by sect. 6 of the Moneylenders Act, 1927, to be delivered to the borrower must be an exact copy, and therefore, when the memorandum correctly states the date of the loan, the copy is vitiated by an imperfect statement of the date.

(K.B. ; (1931) 47 T.L.R. 592.)

REVENUE.

Inland Revenue Commissioners v. Henderson's Executors.

Repayment of Income Tax.

A claim was made by executors for repayment of tax in respect of dividend on an investment belonging to the deceased. The tax was deducted at the source and the dividend was not declared or paid until after deceased's death. The deceased's income was below the taxable limit.

It was held by the Court of Session that, as the dividend had not been declared or paid until after deceased's death no payment of it was income of the deceased, and, therefore, the executors could have no claim for repayment of income tax.

(C.S. ; (1931) S.L.T. 406.)